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TODAY'S
STYLE
Fashion & Entertainment Page 8

Can Europe Compete And Still Create Jobs?

Business Is Wary Of 'Social' Aspect In Leftist Agenda

By Alan Friedman
International Herald Tribune

ROME — As Europe enters the new year, its center-left leaders speak increasingly of the need to reduce unemployment, bolster growth and forge economic policy in the name of the people, not corporations.

After years of fiscal austerity aimed at achieving the conditions needed to launch Europe's new currency, the euro, the buzz phrase across the Continent is the quest for a more "social Europe."

The policy agenda of the modern European left is social. Finance Minister Dominique Strauss-Kahn of France said in an interview. The rhetoric elsewhere in Europe is similar, with Chancellor Gerhard Schröder of Germany saying recently that "my Europe will be more social, more just and more democratic."

Prime Minister Massimo D'Alema of Italy is calling for a "people's Europe," based on increased public spending and job creation.

Those goals are likely to be formalized at the European Union summit meeting in Cologne in June. But many economists and business executives are wary of a "social Europe" — a catchall phrase that seeks to accomplish the twin goals of protecting the welfare state while bringing down unemployment from its current 11 percent average.

They fear it will translate into continuing high tax rates, economic sluggishness and more talk than action on creating jobs.

Economic growth is already faltering as the consequences of the Asian crisis hit Europe, cutting into exports and weakening consumer demand. Many private economists expect growth to slump from a 2.9 percent rate in 1998, a year of recovery, to just 1.5 percent to 2 percent in 1999, although official estimates are slightly higher.

By all accounts, next year will be a leaner one for Europe. The euphoria surrounding the launch of the single currency could soon be replaced by the cold reality of slower growth. Should the dollar weaken further as the U.S. trade deficit soars in 1999, a strong euro may make it more difficult to deal with competition from recovering Asian exporters.

At the same time, the stage is set for divisions over economic policy as the new center-left government of Germany, which will preside over both the EU and the Group of Seven nations beginning Jan. 1, seeks to persuade its partners to take a stronger, more interventionist role in the management of economic and monetary affairs.

The new Bonn government has repeatedly said it wants the G-7 to move toward a system of designating bands within which currencies are allowed to fluctuate, despite U.S. resistance to governments influencing the exchange rates of the euro, the yen and the dollar.

At home in Europe, meanwhile, Germany is hoping to use its six-month presidency of the EU to push for more uniform tax levels and a coordinated policy for fighting unemployment. This is in sharp contrast to the views of former Chancellor Helmut Kohl, who insisted unemployment needed to be attacked on the national level.

"This talk of a social Europe," said Thomas Mayer, senior economist at the Frankfurt office of Goldman Sachs, "is rather empty, because there are clearly differing ideas behind it."

And other economists noted that the ideas varied greatly from country to country, from the free-market pragmatism of Prime Minister Tony Blair of Britain to the interventionist public-spending rhetoric of Finance Minister Oskar Lafontaine in Germany. Somewhere in the middle is the more flexible interpretation of "new left" economists that is the hallmark of Mr. Strauss-Kahn of France. Of the 15 EU governments, 13 now are made up of leftist or center-left parties.

Yet as European politicians attempt to translate their job-creation rhetoric into action in 1999, the driving force in European politics and in the management of the economy may not be the single currency but the daunting task set for itself by the new leftist leadership in Europe: protecting social justice and the welfare state while reducing unemployment.

"The gist of it," said Bob McKee,

Wave of Mergers Gives Policymakers Difficult Choices

By Tom Ichniowski
International Herald Tribune

LONDON — With the arrival of the euro forcing companies to rethink survival strategies in a more competitive environment, merger activity across Europe is expected to jump to new heights in the coming year.

But as the number and size of mergers and acquisitions hit unprecedented levels, the new wave of corporate consolidation is bound to pose uncomfortable challenges to Europe's policymakers.

The drive to create pan-European giants in industries ranging from financial services to pharmaceuticals and aerospace inevitably means tens of thousands of lost jobs as companies eliminate overlapping activities, a high price to pay with unemployment across Europe remaining high, at around 10 percent.

A sample of what may lie ahead emerged in Germany this month when Deutsche Bank AG announced it would cut 5,500 jobs as a result of its \$10 billion acquisition of Bankers Trust Corp., provoking angry protests from unions and renewing complaints from industry that the government's ideas for creating jobs were out of synch with the demands of global competition.

"It's something that will put pressure on politicians," said Joachim Schiele, senior researcher at the Kiel Institute of World Economics in Germany. "But it's something we have to live with. If companies want to merge, who's going to stop them?"

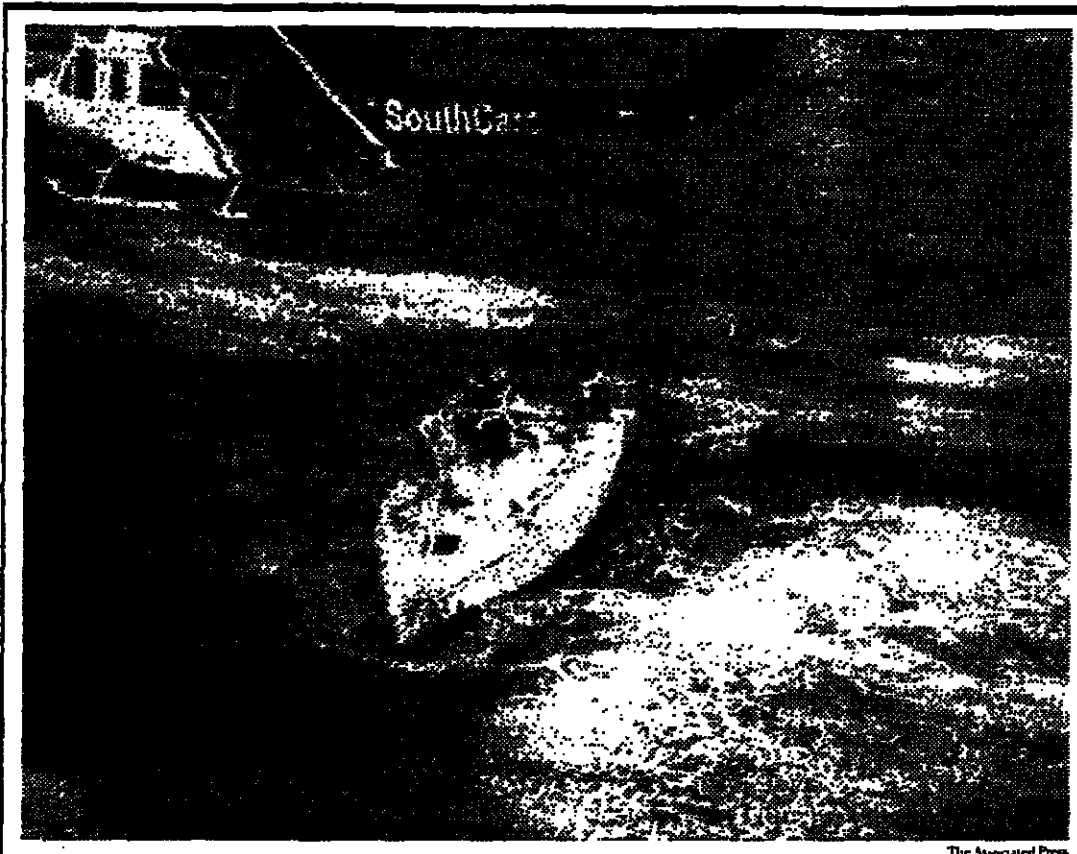
Donald Meltzer, head of European mergers and acquisitions at Credit Suisse First Boston, said the current dominance of center-left governments in Europe with ambitious employment goals would have "a limiting effect" on merger activity. But he noted that even Socialist governments such as the one in France had decided to continue with privatizations, a process that creates a shareholder class that is more receptive to mergers.

"Are jobs a political issue? Yes," Mr. Meltzer said. "Is that political issue going to be an absolute bar to consolidation? I would say no."

The proliferation of mergers also threatens to clash with national sovereignty as some countries fear that consolidation will reduce their control over vital industries.

This fear has surfaced most notably in the aerospace and defense industry. Aerospatiale of France recently threw a new obstacle in the way of the transformation of Airbus Industrie into a single company because it feared the change would dilute French control over the aircraft maker, and Daimler-Benz Aerospace AG warned its intended partner, British Aerospace PLC, not to proceed with a merger with Britain's General Electric Co. out of concern for the company's future.

A LOOK AHEAD 1999 EUROPE



Dramatic Storm Kills 2 In Australia Yacht Race

Five-story masts snapped like toothpicks as gale-force winds and high seas created havoc in the Sydney-to-Hobart yacht race Monday. At least two sailors were killed; four more were missing in churning waters, with at least one presumed drowned. Rescue helicopters hoisted 50 others to safety. At left, Richard Winning, skipper of the Winston Churchill, is led to an ambulance in Maffacoota after being winched from a lifeboat. Above, a rescue helicopter hovers over a dismasted yacht off the coast of New South Wales. Nevertheless, the race continued. Page 19.

The Great Post-PC Debate Is On

Networked Digital Gadgets Could Clear Off Desktops

By Steve Lohr and John Markoff
New York Times Service

At a private meeting with executives of Intel Corp. in July 1995, Bill Gates, chairman of Microsoft Corp., sounded a warning. As the companies pursued their joint vision of making desktop computers that could store and crunch ever-increasing amounts of digital data, Mr. Gates predicted they would face a looming challenge.

"Once networks are extremely fast," Mr. Gates said, there would be "no reason intelligence can't be central," according to notes, taken by an Intel executive at the meeting, which were submitted as evidence in the Microsoft antitrust trial. Centralized intelligence, accessible via fast computer networks, would pose a threat to the dominant role of personal computers — the model on which Microsoft and Intel had built their lucrative businesses.

Just three and a half years later, that challenge to the personal computer seems to be at hand. Even Andrew

Grove, chairman of Intel, acknowledges that "the center of gravity is shifting." But whether that shift is the beginning of a revolutionary transformation or an evolutionary progression is a matter of fierce debate.

In one camp are the executives and technologists who argue that computing is entering "the post-PC era," as advances on many fronts enable a world of intelligent networks, linked by powerful hub computers, feeding data to millions upon millions of so-called information appliances.

Instead of the personal computer continuing to be the center of the computing solar system, they say, the network will become the universe. Information appliances, the post-PC proponents explain, can be thought of as personal communicators — devices that mainly send and obtain information to and from the network, instead of creating and manipulating information the way personal computers do.

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AGENDA

Israel Schedules Election for May 17

The Dollar			
New York	Monday 4 P.M.	previous close	
DM	1.676	1.6748	
Yen	115.86	115.975	
FF	5.621	5.616	
Pound	1.6762	1.678	

The Dow			
Monday close	percent change		
+8.76	9,226.75	+0.10%	

S&P 500			
Monday close	percent change		
-0.78	1,223.49	-0.06%	

Nasdaq			
Monday close	percent change		
+17.25	2,180.29	+0.80%	

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Angola War Creates Humanitarian Crisis

Fighting around key Angolan cities in recent months, the heaviest in four years, has shattered the 1994 Lusaka Peace Protocol, set back embryonic efforts to stabilize a brutalized nation and created hundreds of thousands of homeless people in what the United Nations calls a "rapidly spreading humanitarian crisis." Page 2.



KOSOVO FUNERAL — An ethnic Albanian attending a fellow rebel's funeral on Monday as a fragile cease-fire held. Page 7.

'New Era' of Treatments For Arthritis Is Dawning

By Justin Gillis
Washington Post Service

WASHINGTON — A new generation of arthritis treatments emerging from U.S. research laboratories holds out hope for millions who suffer from one of humankind's oldest and most exasperating afflictions.

The treatments, some of which are already on the market, are particularly important to 2.1 million Americans, including 71,000 children, who have a form of the disease called rheumatoid arthritis. The disease can destroy joints and cause lifelong pain, but treatments are having such striking effects that some people with this disease have stopped using wheelchairs or walkers and resumed active lives.

Alyce Kelso, 63, used to work 10 or 12 hours a day as a bus driver. But then her immune system went haywire and began attacking the joints in her body.

As her rheumatoid arthritis worsened, she had to stop working, and eventually she needed a wheelchair or walker to get around her home in Rochester, New York. She feared that she would waste away in a rocking chair.

"I was just in pain every day of my life," she said.

Desperate, she enrolled in a study testing one of the first drugs for rheumatoid arthritis produced by the budding U.S. biotechnology industry. Last year she started injecting herself twice a week with the compound Enbrel.

The results were electrifying. In weeks her swollen joints shrank, most of her symptoms cleared up and the pain dissipated. She canceled two surgeries to alleviate problems in her elbow and toes. The wheelchair and the walker fell by the wayside.

Rheumatologists — doctors who spe-

See ARTHRITIS, Page 6

Post-Cold War Puzzle: Has Russia Really Given Up Germ Weapons?

By Judith Miller and William J. Broad
New York Times Service

NEW YORK — Just as the Soviet Union was ending its confrontation with the West in the late 1980s, the military officers who ran Moscow's secretive germ-warfare program ordered up new, much deadlier arms.

At a remote laboratory complex in the then-Soviet republic of Kazakhstan, Russian scientists began annual testing of the Marburg virus, a highly contagious germ that kills by attacking every organ and tissue in the body.

This secret testing, described recently by several veterans of the Soviet program, went undetected at

the time by Western intelligence agencies, which knew few details of the plant's operations.

Kazakhstan gave up nuclear, biological and chemical weapons soon after it became independent seven years ago, and it permitted American experts and a handful of reporters to visit the plant. From their observations, and from Soviet defectors, the West has finally learned what was unfolding there in the final years of the Cold War.

The belated discovery of this exotic arms research is one of the elements of a fierce dispute in Washington over whether the Russian military is heading President Boris Yeltsin's 1992 order to abandon germ warfare.

Similar fears loom about Iraq. With the apparent

end of United Nations inspections there, the West is trying to track Baghdad's germ-warfare work with satellites and, perhaps, spies — the same methods that failed to unmask the Soviet program.

American officials contend that Russia no longer poses a major threat. Western experts have visited most of its key civilian laboratories, and officials disclosed that Russia had recently moved closer to allowing Western experts to visit its closed military installations, a crucial step that could dispel many of the lingering doubts about Moscow's activities.

American officials also assert that much of what they now understand about the Soviet Union's germ

weapons has been gleaned through Western aid programs designed to foster peaceful research projects. Those projects also pay salaries to former germ scientists, lending off what officials say is the gravest danger from the Soviet program — recruitment of scientists by rogue states or terrorists.

But some U.S. officials, as well as some Republicans in Congress, assert that Russia is still secretly researching germ weapons. Congress recently cut spending on cooperative exchanges with Russian germ scientists from \$14 million to \$7 million, both because of persistent doubts about Russian intentions and to punish Moscow for selling

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Newstand Prices	
Bahrain	1,000 BD Malia 55 c
Cyprus	C\$ 1.00 Nigeria 1250 OR
Denmark	17 DKR Oman 1,250 OR
Finland	12.00 FM Qatar 10.00 QR
Gibraltar	£ 0.85 Rep. Ireland £1.10
Great Britain	UK £1.00 Saudi Arabia 10 SR
India	RS 5.50 S. Africa R16 Ind VAT
Jordan	1,250 JD U.A.E. 10.00 DH
Kenya	SH 180 U.S. MS (Est) \$ 1.20
Kuwait	700 FK Zimbabwe Zim\$40.00

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THE AMERICAS

University of Chicago's Halls of Academia Search for New, Modern Identity

By Ethan Bronner
New York Times Service

CHICAGO — Ever since its creation on the South Side of Chicago in 1892 with a pile of Rockefeller money and a group of top-flight scholars, no academic institution has exemplified intellectual seriousness quite like the University of Chicago.

More Nobel Prizes — 70 — have been awarded to professors and students here than at any other university; its faculty famously declined to grant Queen Elizabeth II an honorary degree because of her lack of scholarly credentials; its undergraduates take two full years of prescribed core courses, including calculus

and physics and a tough set of humanities and social-science classes.

But with the increasingly common view of colleges as stations for employment credentials, students as consumers, and learning for its own sake as a quaint idea whose time has passed, the University of Chicago is in the midst of a painful identity crisis, closely watched by educators across the United States.

Partly to make the university more attractive to high school seniors, to make it seem less of a grind, it is reducing its core curriculum and increasing its recreation and service facilities.

"I don't know how many students we can attract if we go after those who only seek the life of the mind," said Michael

Behnke, a new vice president hired to improve marketing and recruitment. "Kids aren't sure they can lead a balanced life here. My job is to convince them that they are not joining a monastery."

Those are fighting words to some at Chicago who consider the university's cloistered approach to learning and its insistence on a tough common core to be its sources of pride and mission in a world of increasingly instant gratification.

Many colleges have gone through versions of this debate at different times. In the late 1960s, a number of colleges greatly reduced their core curriculums to make room for less traditional courses and more individual tailoring. Brown University, which has no core requirements,

is among the best-known examples. But Chicago, where Robert Maynard Hutchins, an American educator and former president of the university, reinvented undergraduate education in the 1940s, likes to think of itself as marching to its own drummer rather than shifting to accommodate changing fashions.

"Why change Chicago's academic fabric, its uniqueness, which is its appeal, and make it like any other institution?" said Bradley Henderson, 19, a second-year student from Cincinnati who plans to focus on English and international relations. "Why not market that, accentuate that? They're putting their emphasis on issues on which we can't compete."

The problem is that applications and

endowments may be skyrocketing at "hot" universities like Brown and Duke, but Chicago is facing few applicants, a relatively high dropout and transfer rate and a crumbling physical infrastructure crying out for big expenditures.

In the hope of improving its finances through tuition payments now and alumni giving in years ahead, Chicago is increasing its undergraduate population by 1,000 students, to 4,500, over 10 years.

Some of those who consider Chicago's size and curriculum to be appropriate say they worry about the kind of school the changes will make it.

Bertram Cohler, a professor of psychology and education, put it this way: "This is a dirty, intense place in a grubby

city. You can only smooth some of its rough edges. Of course, we want some students who will join the Junior League, but also those who don't shave, have bloodshot eyes and read Kierkegaard at 3 in the morning."

Nobody at the university opposes reading Kierkegaard at 3 in the morning. Even its most ardent reform advocates say they are seeking to ensure Chicago a long and healthy future, to preserve, not destroy, its rigor and unique intellectual environment. But to do so, they say, requires change.

"Curriculum design at Chicago is a contact sport, and that is just as it should be," said Hugo Sonnenschein, the president of the university for the past five years.

"Chicago has a special role and responsibility because it has a reputation as embodying what a great university should be," he added.

But the commodification and marketing of higher education are unmistakable today, and we can't jolly dance along and not pay attention to them. One hears constantly from parents and students: 'We are the consumer. We pay the tuition.'

POLITICAL

Political Donations Flying in New York

NEW YORK — More money than ever is pouring into New York state and local election campaigns, but the system of regulating these funds to curb their influence on politics and policy has all but broken down.

Porous laws, feeble enforcement and a political class increasingly adept at sidestepping the rules have left the system with few constraints, even by comparison with those of other states and the federal government, according to a review of campaign documents and interviews with elected officials and others.

New York has rejected many of the laws adopted elsewhere, from bans on donations by corporations and labor unions to publicly financed campaigns. An analysis of contests this year, the most expensive in state history, shows a virtual free-for-all of donating and spending.

The financier Ronald Perleman channeled more than \$200,000 over two days in August to Governor George Pataki's campaign, using a common loophole to give more than seven times the legal limit for an individual donor.

A Long Island company, Silverite Construction, gave at least \$20,000 over the legal limit — just as it was awarded a \$97 million state contract. The company was not punished.

In spring, a Kentucky-based manufacturer of computer printers, Lexmark International, donated \$45,000 to three Republican committees while it was trying to defeat a bill that threatened its business. The legislation died in the Republican-controlled state Senate. The money, said a company spokesman, Jim Joseph, "helps you get someone's attention." (NYT)

U.S. Bureaucracy Numbers 17 Million

WASHINGTON — Nearly 17 million people directly and indirectly work for the U.S. federal government, about eight times more than the typical head count used to describe the size of the bureaucracy, according to research by a Brookings Institution scholar. The estimate of a total federal work force comes from Paul Light, director of the Center for Public Service at Brookings, who has studied government operations and reform efforts for several years.

In calculating the government's size, using 1996 data, Mr. Light began with 1.9 million full-time civilian federal workers and added in 1.5 million uniformed military personnel and \$50,000 Postal Service employees. He then measured the so-called shadow workers who act on behalf of the federal government. Mr. Light figured that the government's \$200 billion in contracts in 1996 created 5.6 million jobs, its \$55 billion in grants created another 2.4 million jobs and its regulatory mandates encumbered 4.7 million jobs in state, county and city governments. (WP)

Quote/Unquote

The former White House spokesman Michael McCurry on finding suitable punishment for President Bill Clinton beyond impeachment: "For someone who loves the presidency and loves that White House and is a student of it, that will hurt him a lot more than he's down in Little Rock at his library." (Reuters)

Away From Politics

- Southern sea otters appear to be diminishing in number at a rate that perplexes scientists. A survey by the biological resources division of the U.S. Geological Survey showed 1,937 otters along 300 miles (500 kilometers) of the central California coast, a 12 percent decrease since autumn 1997. (NYT)
- More than 750 people were quarantined after the police received a call claiming that the deadly bacterium anthrax had been released in a popular Pomona nightclub in suburban Los Angeles. But the call is believed to be the sixth anthrax hoax in the area in two weeks, officials said. (LAT)
- Four days after an ice storm crippled electrical service across the South, about 93,000 homes and businesses, mostly in central Virginia, had no power, and at least 17 localities had declared states of emergency. (AP)

Censure of Clinton Is Likely, Key Senators Say

By Tim Weiner
New York Times Service

WASHINGTON — President Bill Clinton's impeachment trial will proceed, but the likely result will be censure, not conviction and removal from office, according to several senators.

"We'll have a trial and there will be censure and then, God willing, there'll be closure," said Senator Daniel Patrick Moynihan, Democrat of New York.

Senators making the talk-show rounds Sunday said in varying ways that a trial was inevitable, and some said a vote on the two articles of impeachment passed by the House of Representatives must take place.

But none of them expressed the belief that Mr. Clinton could be convicted by the constitutionally required two-thirds majority of the Senate, or 67 votes.

"We're going to have to probably begin the trial," said Orrin Hatch, the Utah Republican who is chairman of the Senate Judiciary Committee. He added, "At that point, I think if our colleagues on the other side show that there are at least 34 people who will never vote for impeachment or conviction," the best option would be censure.

"I don't think anybody would deny the statement that we probably don't have a two-thirds vote to convict the president," said Mr. Hatch, speaking on CBS. "Then it seems to me we're going to have to do what is the next best thing, and that is point out to the American people how really bad his actions were."

The Senate minority leader, Tom Daschle of South Dakota, said on NBC that there was "a sense among many senators that while the offenses may not reach the impeachable level, there is some sanction that should be applied here, some form of punishment, and censure is a very serious, very historic and rare, form of punishment that ought to be considered."

No senator predicted that the extraordinary business of putting a president on trial, which has taken place only once in U.S. history, was likely to end in Mr. Clinton's conviction and removal from office.

"We ought to vote on these articles of impeachment, and then that is the appropriate time to consider a censure," Senator Mitch McConnell, Republican of Kentucky, said on Fox Television. "Assuming neither of those articles pass," he



President Bill Clinton and Hillary Rodham Clinton chatting with Yoni Wong, owner of the Golden Palace restaurant, after eating lunch in Washington. The Clintons then took a stroll and greeted people along the street.

said, members of the Senate must "negotiate the censure alternative."

Mr. Hatch and Mr. McConnell both said that a trial involving lengthy and potentially embarrassing appearances by witnesses like Monica Lewinsky and Linda Tripp was unnecessary.

"There's no reason for this to take three to six months," Mr. Hatch said. "It could, if people start calling witnesses, but I don't see any reason to call those witnesses. I think the president has already admitted to some very terrible things."

Mr. McConnell said, "It's not at all clear to me that we have to put on a sort of public show trial and bring all of these

rather infamous characters in to testify before the American public."

And Senator John Breaux, Democrat of Louisiana, said that "a long-drawn-out, protracted debate and long-drawn-out trial complete with witnesses ends up punishing the country more than it punishes the president."

The sentiment among many Democrats in the Senate is in favor of censure. Many senators on both sides of the aisle have said they want some form of trial on the charges of perjury and obstruction of justice stemming from the president's relationship with Ms. Lewinsky, which were passed in a vote along party

lines by the House of Representatives.

Some have said they feel obliged to take the matter to trial following the House vote. All are aware of the prevailing public sentiment that the matter should be brought to a close.

"I think the American people have told us that they want some place where Bill Clinton can be held accountable, where he can atone for what he has done, where he can get the punishment that he is due," the president's former spokesman, Michael McCurry, said.

The blot of impeachment will always be with Clinton, Mr. McCurry added, no matter what course the Senate takes.

ASIA/PACIFIC

Hun Sen Urges Welcome for Pol Pot Aides

By Seth Mydans
New York Times Service

PHNOM PENH — Defying international pressure to put key leaders of the Khmer Rouge on trial, Prime Minister Hun Sen said Monday that they should be welcomed "with bouquets of flowers, not with prisons and handcuffs."

Preparing to greet two of the last Khmer Rouge leaders, Khieu Samphan and Nuon Chea, at his home Tuesday, Mr. Hun Sen said a trial would only reopen old wounds and lead to possible instability.

"We should dig a hole and bury the past and look ahead to the 21st century with a clean slate," he said.

Both of the defectors were at the very top of the Khmer Rouge hierarchy from 1975 to 1979, when more than 1 million people died. They are among the last of the movement's leaders to give up the struggle, and Mr. Hun Sen did not rule out a future Khmer Rouge trial, saying it was an issue for the judiciary — which he controls — rather than the executive branch to decide.

The defections of Mr. Khieu Samphan and Mr. Nuon Chea leave only one major figure at large, Ta Mok, known as "the Butcher," who seems to be as unpopular among his comrades as he is among his enemies. Mr. Hun Sen said

Monday that he would extend no welcome to Mr. Ta Mok. The main Khmer Rouge leader, Pol Pot, died in April. If the last two defectors, along with earlier ones like the former Khmer Rouge foreign minister, Ieng Sary, are not brought to trial, Mr. Ta Mok — if he is captured — could be the sole Khmer Rouge figure to be held accountable.

This is not the way Mr. Hun Sen has talked in the past. In June 1997 he signed a formal letter requesting help from the United Nations in preparing for a trial for crimes against humanity.

In an interview this weekend, Thomas Hammarberg, the UN official who monitors human rights in Cambodia, said Mr. Hun Sen had repeatedly assured him that he planned to proceed with a trial. "He said, 'I agree completely that there must be justice,'" Mr. Hammarberg said. "I promise you that no one will be spared." He told me this several times.

It is only in the past two months that Mr. Hun Sen has achieved full control of the Cambodian government, after years of struggle against political opponents. His stance Monday seemed to reflect a desire to avoid situations that could get out of control.

In addition, his words echoed a widespread feeling among many Cambodians who are exhausted from decades of conflict and prefer not

to stir up the demons of their past.

"If a wound does not hurt, you should not poke at it with a stick to make it bleed," Mr. Hun Sen said. "If we put these two men in prison, will this benefit society or lead to civil war?"

Outside the country, a strongly held belief exists that the country that ignoring a wound will not make it go away and that it cannot heal until it is treated, even if the cure is painful.

Foreign human rights workers, along with some Cambodians, argue that a "culture of impunity" that has its roots in the unresolved cases of Khmer Rouge leaders is to blame for much of the country's lawlessness and violence.

In Washington, a State Department spokesman, Lee McCleeny, said Sunday, "Justice in Cambodia has been long delayed but must not now be denied."

Sidney Jones, Asia director of Human Rights Watch, said in Washington that Mr. Khieu Samphan and Mr. Nuon Chea could be pardoned after a trial in the interest of national reconciliation if that is what Cambodians choose. "But," he said, "to allow these men to return to society as if one of the worst massacres of the 20th century never took place — that's unthinkable."

Mr. Nuon Chea, 71, who was "Brother Number Two" under Mr. Pol Pot, and Mr. Khieu Samphan, 67, who was the official head of state, came in from the cold Saturday and joined a community of defectors in the remote town of Pailin.

Both had spent most of their lives as revolutionaries, alongside Mr. Pol Pot. Mr. Khieu Samphan, the public face of the movement, returned to Phnom Penh once before, in 1991, and was attacked by a mob organized by Mr. Hun Sen's government. Mr. Nuon Chea was the man whose idea of creating a primitive agrarian society led to the forced evacuation of the cities and the massacres of the country's educated classes.

A large number of former Khmer Rouge leaders are now nominally within government control in Pailin and elsewhere and are available for capture and trial, after more than two years of defections.

But Mr. Hun Sen said the two latest defectors should be greeted with an embrace for giving up the fight. "They will not come tomorrow with the political and military agenda of the Khmer Rouge," he said. "They will come as simple citizens, bringing their wives and children and grandchildren. There's nothing for anyone to worry about."

Jailed Activist Sees Pluralism in China

Reuters

BEIJING — In a statement from prison, a founder of the banned Chinese opposition party said Monday that the ruling Communist Party's grip on power was doomed.

Political pluralism is "historically inevitable," Xu Wenli said in the statement written as he met his lawyer. "No individual or political power can prevent this."

The statement, for presentation to the appeals court, was carried out of Mr. Xu's Beijing detention center by the lawyer and handed to his wife, He Xintong.

After his signature and the date, Mr. Xu wrote: "Pinned in handcuffs." His wife said he jotted down the message in front of his lawyer while guards stood nearby.

Mr. Xu, 55, was one of three founding members of the Chinese Democratic Party handed heavy jail terms last week after summary trials. He was sentenced to 13 years in prison. Qin Yongmin was jailed for 12 years and Wang Youcai for 11 years.

"My so-called open trial was, in truth, nothing more than a means for political persecution," Mr. Xu's statement said. "So, I shall not give a fleeting thought to this 'judicial process' or answer any questions put to me by the prosecutor or courts."

"Second, I shall not act in my own defense. Third, I will not appeal. This is a silent protest over my political persecution."

Mr. Xu said the party had taken its place on the Chinese political stage in an "open and rational manner."

Separately, the wife of a labor activist said her husband, who was imprisoned for 10 years Sunday for passing information to the U.S. government-backed Radio Free Asia, had been convicted on trumped-up charges.

Zhang Shuangshuang was sentenced at a closed-door hearing for giving details of protests by farmers in central Hunan Province to the radio station.

"The trial was not at all fair," said his wife, Hou Xuezhun.

BRIEFLY

Violence in 2 Indonesia Towns

JAKARTA — Mobs armed with sickles and swords batted each other and hurled gasoline bombs at buildings in an Indonesian town on Monday. At least 22 people were injured, and hundreds of residents fled their homes.

In a separate incident, policemen in Deli Serdang on Sumatra island fired plastic bullets at peasants who were arguing over cultivation rights with the owners of a state-owned farm. At least six people were injured.

The riots by sword-carrying mobs in the town of Poso on Sulawesi island were touched off by weekend brawls between rival gangs of youths. The unrest escalated partly into attacks on the homes of migrants from the main island of Java. But the motive for much of the violence was unclear, with mobs attacking stores and houses at random. (AP)

Talks on Japan Coalition Stall

TOKYO — Cracks widened in a deal to form a coalition government Monday, when a top opposition leader said the governing party was not serious about cutting a deal.

The governing Liberal Democratic Party and the opposition Liberal Party had been expected to wrap up a coalition deal soon. But the talks have stalled over how far to expand the participation of Japanese troops in missions backed by the United Nations. The LDP wants to limit Japan's military to logistic support, while the Liberals want to let troops participate more fully in UN operations.

Ichiro Ozawa, the leader of the Liberal Party, suggested that the LDP lacked the will to complete an agreement with the opposition. The dispute forced the postponement of a meeting between Mr. Ozawa and Prime Minister Keizo Obuchi. (AP)

For the Record

A mob torched a Pentecostal prayer hall in western India amid a spate of violence against Christians, the police said Monday. Some Christians blame extremist Hindu activists for the attacks on churches and a missionary school in Ahwa, some 280 kilometers (175 miles) south of Ahmedabad. The World Hindu Council denied any role in the attacks and said forcible religious conversions had provoked the violence. (Reuters)

Pakistani authorities blocked former Prime Minister Benazir Bhutto from traveling to Dubai on Monday to visit her children, saying she could not go abroad because of corruption cases against her. She said she would file a contempt suit against the government because there is no order banning her from leaving the country. (AP)

OPINION/LETTERS

As Medicine Progresses, Its Availability Shrinks

By Daniel S. Greenberg

BALTIMORE — The great accomplishment of American health care politics at the century's end is a system in which the government finances a research boom that produces medical wonders beyond the means of a large and rising segment of the population.

The only certainty is that the plight of the poor, and many not so poor, will worsen under this tandem arrangement of socialized discovery and marketplace medical care.

The divide between discovery and availability shows up in many areas of disease treatment, among them breast cancer, which is undergoing a revolution in scientific understanding and in the development of extremely promising therapies.

The first step toward detection and effective treatment is mammography. But, as with most other things, the uninsured get less of it, according to a survey by the Centers for Disease Control. Questioning 80,000 women, the agency found that 71 percent with health insurance had had a mammogram in the previous two years, whereas only 46 percent of the uninsured had undergone the examination.

At present, more than 40 million Americans lack health insurance, and having personal financial resources, which few have, or medical charity, which is growing scarce, they are not sharing in the triumphs of modern medicine.

The number of uninsured is bound to grow, as people are priced out of the market by increases in the cost of health insurance, which is going up quickly.

One explanation is that after skimping on their customers, managed-care organizations face resistance to such Spartan services. Another is that insurance premiums for managed care are bounding back after starting low to attract customers and squelch competition.

Whatever the reason, the price of insurance is going up, and so are the ranks of the uninsured even in these good economic times.

Meanwhile, medical research, always popular with the public and Congress, has become the bipartisan darling of Capitol Hill, with budget increases far ahead of any other major function of government. Last year, Congress added \$2 billion to the National Institutes

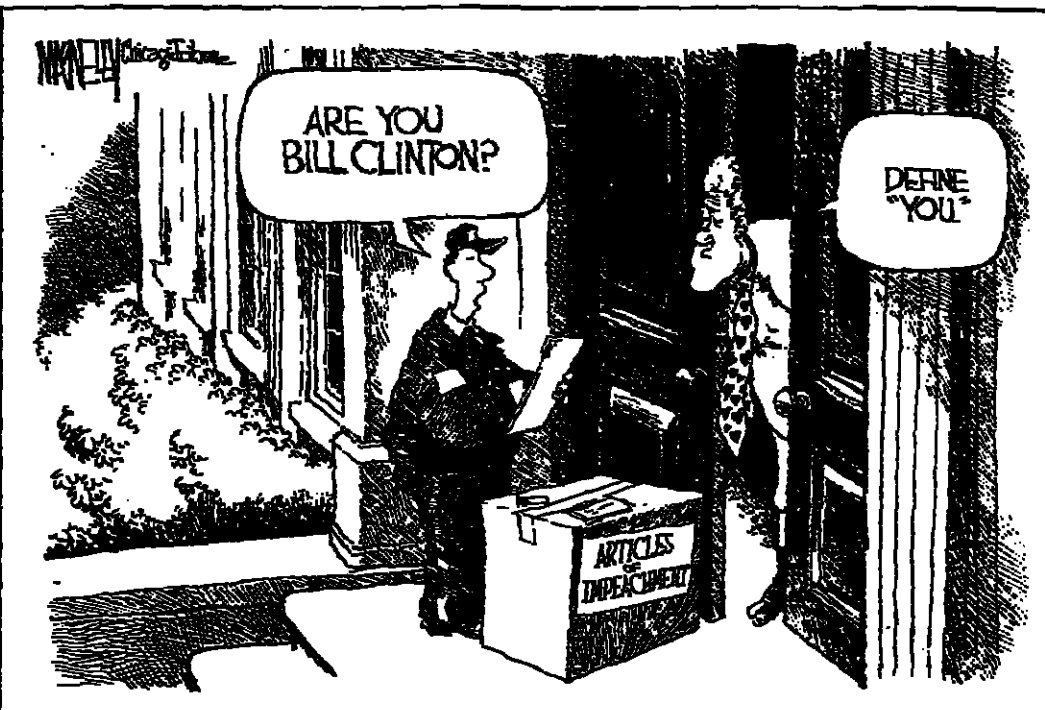
of Health — nearly double the increase recommended by the White House — raising the institutes' budget to a record \$15.6 billion.

Influential members in both houses say their goal is a doubling of the institutes' budget within five years. The presidential budget-minders do not like the medical-research bandwagon, but President Bill Clinton and his predecessors have all ceded medical research to congressional control.

The researchers who benefit from the congressional passion for medical research appropriately resent allegations that they are hogging scarce federal money that might be better applied elsewhere. That is what they were accused of by Representative David Obey, Democrat of Wisconsin, when the institutes got a bonanza while spending was restrained for programs for the poor.

The scientists respond that research spending is a tiny slice of the trillion dollars spent annually on health care and point out that discoveries can cut the cost of health care, as a vaccine did for polio.

But research also often leads to treatments that are both effective and very expensive — for example, cancer treatments genetically tailored to the patient.



The disparity between research and treatment was set firmly after the Clinton scheme for national health care fizzled, leaving profit-seeking as the driving force in the health care economy. At about the same time, Congress's traditional affection for medical research turned passionate, leading to a 50 percent increase in the institutes' budget since 1993.

The passion, abetted by lobbies for research on specific diseases, is bipartisan and not subject to

debate. The Senate Budget Committee quietly has inquired whether the institutes can effectively manage the big increases in its budget, and the thrift-minded Office of Management and Budget is trying again to restrain the growth. But hope and politics favor another big increase for medical research.

Politically, there is scant interest in the gap between medical discoveries and the people who cannot afford them — soon to be

joined by many others who are being priced out of the health care market. In seeking cures for disease, the science turns out to be the easy part. The insoluble problem is a political system that venerates research but withholds its wonders from many needy people.

The writer is a visiting scholar in the history of science, medicine and technology at Johns Hopkins University. He contributed this comment to The Washington Post.

From Modern Machines, It's Just Nag, Nag, Nag

By Jim Shea

HARTFORD, Connecticut — Stop telling me what to do. Stop telling me what to remember.

Stop telling me what's for my own good.

Stop the nagging.

Now.

I'm an adult. I'm a sensible, responsible person. I've test-driven a minivan, for goodness sake.

Er, maybe it would be a good idea to pause just a second for the following disclaimer:

This is not about you, dear.

And Mom, relax, it's been years since one of your little helpful hints has made me want to run screaming through a plate-glass window.

No, what I am referring to here is the ever-increasing tendency of technology to treat us all like 9-year-olds with a history of leaving new jacks on the school bus.

Programmed by meddlesome engineers determined, apparently, to foist the misery of their own henpecked existences on the rest of us, machines and appliances are assuming responsibilities well beyond their intended duties.

The car is the worst offender.

The car has one job, to take you where you want to go.

It is not the car's job to worry

about lights, or locks, or keys, or whether or not you are going to be launched through the windshield if there's an accident.

But just try and get in or out of a vehicle without being subjected to a chorus of buzzes, beeps and bongs, all of which seem to be saying:

Now Jimmy, put on your seat belt.

Now Jimmy, don't forget your keys.

Now Jimmy, did you leave the lights on again?

It isn't much better around the house.

Consider: The alarm clock that gives you:

Ten more minutes. Ten more minutes.

The microwave that whines:

I'm ready. I'm ready. I'm ready.

The oven that warns:

I'll burn. I'll burn. I'll burn.

Apart from a yurt in the Mongolian suburbs, there is no escape from the harassment.

If a pushy phone light isn't screaming "voice mail, voice mail," some electronic annoyance is butting into your conversation every 10 seconds to inform you "call waiting, call waiting."

And does anyone work for a computer that doesn't ring and ding with condescension at every opportunity?

Command: Store file.

Computer: [Ding] Are you sure you want to store file?

Command: Store file.

Computer: [Ding] Are you really, really sure you want to store file?

I'm thinking that what has to happen here is for the machinery of our lives to be treated like smoking.

When you are buying a car, or a phone, or a computer, or whatever, the salesperson should be required by law to ask:

Would you prefer nagging or non-nagging?

The Hartford Courant.

LETTERS TO THE EDITOR

The Superpower and Ink

What is going on with The World's Only Superpower? This label, or sometimes the tautological The World's Only Remaining Superpower, now seems to follow "the United States" or "America" almost automatically in the articles appearing in your paper. Is this in response to some hubristic edict from above or does it stem from a belief that the average reader has the attention span of a mayfly and needs to be reminded regularly of America's exalted position?

If this is going to continue, may I suggest that you could save space and ink by using the acronym TWOSP instead of the whole phrase. If this catches on you could eventually drop the reference to the United States altogether, as for example: "At 0400 this morning TWOSP surgically removed Iraq and Afghan-

istan. There was no collateral damage, according to a TWOSP spokesman, 'but we seem to have mislaid Lebanon.'"

Or: "TWOSP President Bill Clinton today officially opened a new Center for Wayward Interns. 'This will fill a real need,' he said."

D. H. MCKAY, Luxembourg.

A Farewell to Baker

Regarding Russell Baker's final column (Dec. 26-27):

Mr. Baker, yours was the voice of an exceptional American generation, ever with wit, wisdom and humanity. Your appreciation of the contemporary world was always wary, never dry, revealing inner verities wrapped in myths that shall long exist after our tour of duty.

WILLIAM GREENWAY, Paris.

Doubtless a contemporary (or near contemporary) of Russell Baker — same school (Baltimore City College), same era (late 1930s, early 1940s) — I have enjoyed over the years his reminiscences of our hometown. Indeed, as I reflect on the experiences he has described, I do believe we may even have been in the same home-room class.

Today in view of our current American *isuris* — a colorful Yiddish expression meaning "troubles" — may I suggest that a reprinting of some of his columns might serve to relieve some of the stress we are all experiencing.

MORRIS HONICK, Brussels.

Clinton the Follower

As an American temporarily working in Europe, I have been watching the Clinton impeachment process with disappointment. I

watch as the Democratic side of the aisle complains of the bitter partisanship practiced by the Republicans, when it seems clear that the Democrats have been far more partisan on this matter.

Throughout this entire drama, nothing showed as much partisanship as the pitiful display of the Democrats marching to the White House and standing en masse to support President Clinton.

It is difficult to believe that not one of those Democratic representatives felt that the president deserved impeachment. Their "consciences" seemed guided by the popularity of this president and the potential loss of their base of voters.

This president has always relied on his pollsters to develop policy. In fact, I cannot recall one significant issue where he did not take a position favored by the majority in public polling. This is not the definition of a leader, but of a

follower. Now, House Democrats have proved that they are only followers as well.

RAY VERY, Munich.

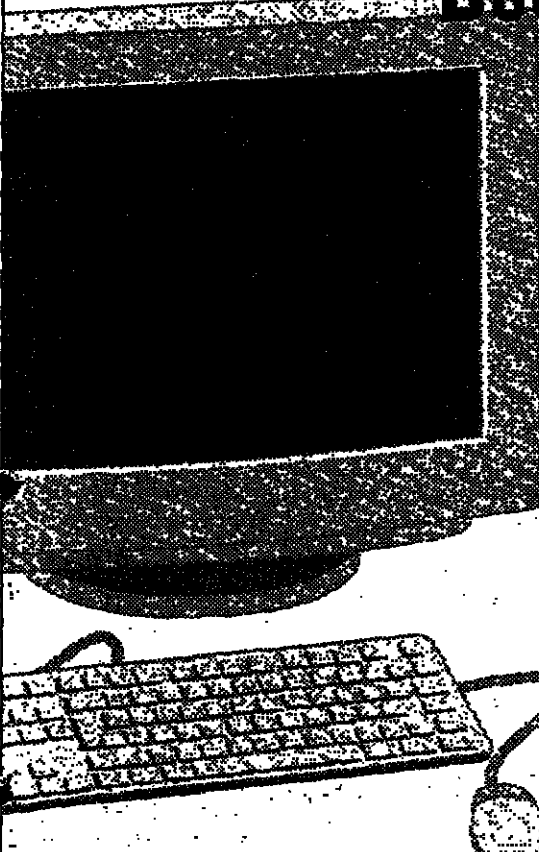
May I suggest an explanation for the anti-impeachment polls? I don't watch American television, but I understand that guests on programs like Oprah routinely confess the most abominable crimes, such as incest, and, after reciting an act of contrition and beating their breasts, are given absolution by Oprah and the TV audience.

I believe that gives your average ignorant pollee the impression that that is how things are dealt with in the real world. Since President Clinton has gone through the right motions on television, such pollees simply can't understand why he isn't treated the same way.

J. C. DIXON, Paris.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

How Is the Internet Changing the Way You Do Business?



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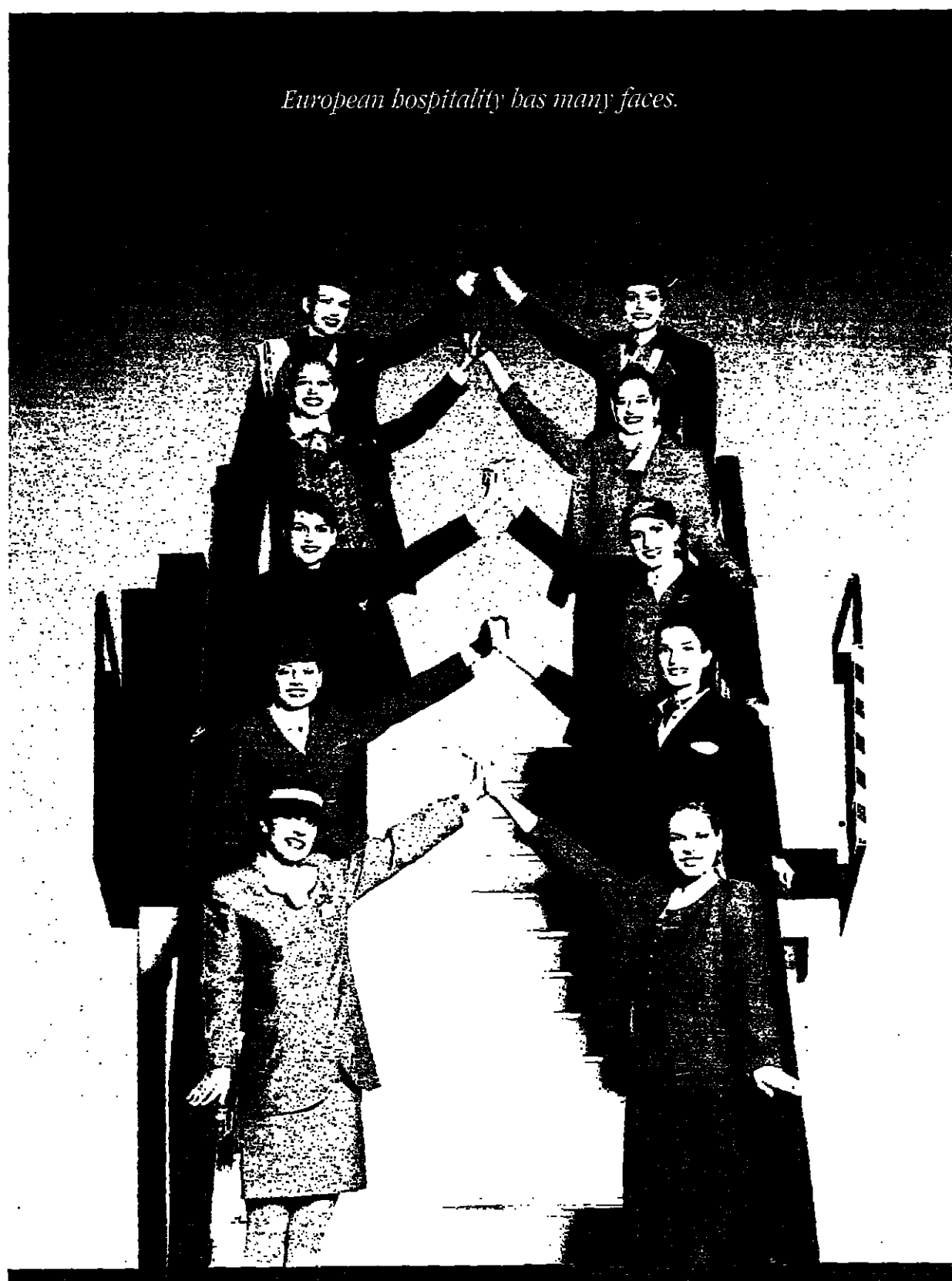
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INTERNATIONAL

Iraq's Threats Complicate Ties With UN and Arab States

By Barbara Crossette
New York Times Service

UNITED NATIONS, New York — As delicate negotiations over a new international policy in Iraq go on behind the scenes here, Saddam Hussein is complicating his situation in the Security Council by a stream of bellicose threats.

In addition, Iraqis are sending mixed signals about remaining ties with the United Nations, which administers a huge relief program in the country. Baghdad has already said it will never allow arms inspectors back, but has generally cooperated with aid workers.

In recent days, however, Iraqi officials have refused to allow relief experts from the United Nations to survey damage done to civilian targets by the U.S. and British air attacks almost two weeks ago. Some officials say that they think this is because damage to civilian buildings was very light, countering Iraqi claims of greater damage and more casualties.

Since the attacks, Iraqi officials have couched their verbal assaults in racial and anti-Semitic terms, saying that "Anglo-Saxons" dominated the arms inspection system and that President Bill Clinton and Prime Minister Tony Blair are under the influence of "Zionist cliques." The Iraqis have threatened to shoot down U.S. and British aircraft. Monday, they tried to hit U.S. planes with surface-to-air missiles.

Mr. Saddam is now also denouncing the French, who have gone out of their way to help Iraq at the United Nations. The attacks began after both President Jacques Chirac and Prime Minister Lionel Jospin said that the Iraqi leadership bore the responsibility for the bombing by refusing to cooperate with arms inspections.

French officials, who are willing to move swiftly to a lifting of an oil embargo and other sanctions on Iraq, have also infuriated Mr. Saddam by proposing that oil income be controlled by the United Nations indefinitely so that it cannot be spent on prohibited weapons. Mr. Saddam wants a no-strings-attached escape from sanctions.

Much Iraqi ire is being directed at Arab nations. A tone of frustration mixed with desperation has surfaced in Mr. Saddam's speeches as well as those of his ministers, who attack Arab leaders for backing away from Iraq when they should, in Baghdad's view, be lining up to break sanctions.

Arab support has been slipping away daily from Mr. Saddam. Monday, the Iraqis took two more blows.

A meeting of Arab League foreign ministers scheduled for Wednesday at the request of Yemen, one of Iraq's strongest allies in the Arab world, was postponed until Jan. 24 at the request

of several Gulf nations, including Kuwait and Saudi Arabia.

The ministers were to plan a meeting of Arab leaders to discuss Iraq. But Monday, Egypt appeared to put an end to Iraqi hopes for a high-level meeting, at which Mr. Saddam's government intended to press its demand that the Arab League defy international sanctions.

Arab support has been slipping away daily from Saddam Hussein.

Arab League diplomats say that they have tried to exert a moderating influence in the region and do not want to be drawn into support of Mr. Saddam for his defiance of the United Nations. The League has also refused to condone (as African nations have) the breaking of much less harsh sanctions on Libya, which has refused to turn over two suspects questioned in the bombing of Pan Am Flight 103 in 1988.

"It is not realistic to think that some fraternal Arab countries are going to take part in a summit attended by high-ranking members of the Iraqi leadership," an Egyptian government spokesman said Monday.

In Cairo, President Hosni Mubarak took direct aim at Iraqi leaders in an interview with the government newspaper Al-Gumhuriya.

"We opposed the air attack," Mr. Mubarak said, "because in the final reckoning, it is the people of Iraq who pay the price. We sympathize with the Iraqi people because we know that our

brothers and sons in this fraternal country can do nothing about it and the regime in power is the root of all problems."

On Sunday and Monday, Iraqi officials appeared to threaten to end the "oil for food" program under which they are allowed to sell up to \$5.2 billion worth of oil every six months to buy such goods as medicine and food.

Monday, the trade minister, Mohammed Mehdi Saleh, backed away from comments he made over the weekend, saying that he was talking about Iraq's future plans once sanctions were lifted and there would be no need for the program, and those who administer it would be asked to leave. But another ministry repeated the threat to end the program sooner, Bloomberg News reported from Baghdad.

Mr. Saddam has never liked the "oil for food" program, which he rejected for more than five years after it was first proposed by the Security Council. But Baghdad allowed it to continue uninterrupted during the recent raids.

Monday, John Mills, spokesman here for UN relief programs in Iraq, said that the Iraqis exported 17.6 million barrels of oil from Dec. 19 to 25, the largest amount in any weekly period since the program began in late 1996. The exports were worth \$145 million, because of record low oil prices. If prices had remained at the level of about \$18 a barrel that prevailed when the program began, Iraq would have more than doubled its income in the most recent sales.

No-Fly Zones in Iraq
Allies' Effort to Protect
Shiites and Kurds

The Associated Press

A look at the two no-fly zones the United States and its Gulf War allies imposed on Iraq:

Southern No-Fly Zone: Imposed by American, British and French forces in August 1992 to protect Shiite Muslims in Iraq. President Saddam Hussein's forces had crushed a Shiite uprising soon after the end of the Gulf War in February 1991.

In 1996, President Bill Clinton extended the zone in response to Mr. Saddam's military intervention in northern Iraq in support of one Kurdish faction against another.

The zone now covers the southern third of Iraq, reaching the 33rd parallel, and extends to the outskirts of Baghdad.

Northern No-Fly Zone: In April 1991, the United States, France and Britain declared a 19,000-square-mile (49,000-square-kilometer) area of northern Iraq a haven for Kurds and imposed a no-fly zone above the 36th parallel.

American and British warplanes still patrol the skies of northern Iraq. France withdrew from the mission in 1996.

I Go Where I Have To

Annan Defends His UN Role as Mediator
Despite Sharp Criticism From WashingtonBy Barbara Crossette
New York Times Service

UNITED NATIONS, New York — At the end of his second year as secretary-general of the United Nations, Kofi Annan offers no apologies for going the extra mile to talk with tyrants like Saddam Hussein and Colonel Moammar Gadhafi, even when a rebuff, or carping in Washington, is his only reward.

"We're dealing with issues of war and peace," Mr. Annan said in an interview, sounding out the year as he began it, with a crisis in Iraq. "We are operating in a world which is quite brutal and there are some very wicked people around. Nobody denies that. But in the business that I'm in, we sometimes have to shake the hands of the aggressor, to lend them an ear, in order to save lives."

"I go where I have to go, I talk to those I have to talk to," Mr. Annan said of his trips to Iraq in February and to Libya in early December.

He said he hoped the day would come when the secretary-general of the United Nations "has to talk only to leaders of countries like Switzerland, Sweden, Costa Rica, Botswana."

"Then our work would be done," he said. But a different view is sometimes held in Washington. A pall of disappointment not despair has been cast over Mr. Annan's relations with an often hostile Congress and to some extent the Clinton administration, which denied his predecessor, Boutros Boutros Ghali, a second term in office and engineered Mr. Annan's election by the Security Council.

Mr. Annan was criticized for going to Baghdad in February and brokering an accord over arms inspections that quickly unraveled.

Although the Clinton White House, then in the early days of the Monica Lewinsky scandal, seemed relieved at the time, the secretary-general was later accused, especially in Congress, of diplomatic meddling and of drawing out the crisis.

Mr. Annan's journey to meet with Mr. Gadhafi on Dec. 5 drew still more flak. The Libyan leader left Mr. Annan waiting for hours before meeting him in a tent

at a remote site in the desert, where Mr. Annan was trying to work out a deal for Libya to turn over two suspects wanted in the bombing of Pan Am Flight 103 over Lockerbie, Scotland, 10 years ago.

The attempt proved fruitless.

In both cases, Mr. Annan's aides say, he was essentially promoting American as well as international goals: compliance from Iraq on arms inspections, and the turning over of two men wanted in a long-delayed trial.

Has the secretary-general been too willing to take political risks? Has Mr. Annan been too quick to expend his personal prestige and that of his office?

"I'm here to do a job, and self is not involved, because we're dealing with much bigger issues, much more at stake," he said. "To put my own ego or my own reputation at the center of it, I think, would be unconscionable and would be a mistake."

Events play their part in shaping the reputation of any secretary-general. Sir Brian Urquhart, a former undersecretary-general who has known every holder of the United Nations' highest office since the organization's founding in 1945, said last week that Mr. Annan "couldn't have inherited that job at a more difficult time."

But once the stage is set, character and personality take over, Mr. Urquhart added. "I think Kofi is a genuinely natural, unpretentious, very serious person," he said. "He really believes he's got to do the job, and it's not a popularity contest. He's there to do his best, and if it blows back on him, that's too bad."

Danilo Turk, a former professor of international law and a human-rights advocate who is Slovenia's representative and a member of the Security Council, said Mr. Annan had to do an already ill-defined job "in an era more chaotic than other periods."

With the end of the Cold War, rogue states are less likely to be held on tethers by Moscow or Washington, Mr. Turk said, and today's secretary-general faces crises that can quickly spin out of control.

He also faces that political chaos at a time when the United Nations has been under tremendous pressure to reduce its budgets and bureaucracy.

Although Mr. Annan has made significant managerial reforms and has continued to cut the headquarters staff, the Republican-led Congress refuses to pay \$1.2 billion in American debts without attaching riders that UN officials say improperly try to micromanage the organization, which no one nation among the 185 members has the right to do.

For Mr. Annan, a Ghanaian, dealing with Africa has been particularly difficult. He began his term in January 1997 ready to forge a partnership with Africans moving to put conflict behind them. Two years later, Angola is descending into civil war again, rebels in Sierra Leone notorious for their extraordinary brutality are closing in on the capital less than a year after being driven out, and east-central Africa is engulfed in a conflict involving nearly a dozen nations.

"What's happening in Africa is a tragedy, a real tragedy," Mr. Annan said. "It's a deep disappointment."

He said he recently told a meeting of African leaders in Paris that at a time when they needed investment and development, they were on a suicidal course.

Mr. Annan, frequently accompanied by his Swedish wife, Nane, travels extensively, more than many UN officials and diplomats think is necessary, given all the work at headquarters.

For his part, Mr. Annan says he values the widest possible contacts.

His staff says he also seeks out special friends in international affairs whose judgment he trusts, among them President Nelson Mandela of South Africa and Richard Holbrooke, the American diplomat and Balkans troubleshooter who is in line to become the U.S. representative at the United Nations.

"I talk to lots of people," Mr. Annan said in his uniformly soft, melodic voice, which sinks at times almost to a whisper. "I talk to people inside the building, outside the building, in different fields, in different walks of life. Men and women who understand the human condition and have compassion. People who like to do things about the world we live in."



BUSY DAY IN BAGHDAD — Cars clogging a city street Monday as life in the Iraqi capital slowly returns to normal after the recent air strikes.

IRAQ: U.S. Fighters Attack Missile Site After Being Fired Upon

Continued from Page 1

The use of surface-to-air missiles, or SAMs, represents an escalation of the confrontation. Iraq has several Soviet-era missiles, including the SA-3, the type that shot down the U-2 flown by Francis Gary Powers over the Soviet Union in 1960.

During the four nights of air and missile strikes, Pentagon officials said, Iraq did not fire its SAM missiles, evidently fearing retaliation by American and British weapons able to home in on the batteries' radar signals.

During the operation earlier this

month, American and British forces repeatedly targeted SAM sites, but with mixed success. According to the Pentagon's last public assessment of damage, only eight of 16 SAM sites attacked were destroyed.

The United States, Britain and France created the no-fly zone in northern Iraq in 1991 to protect the Kurdish enclave. Iraqi aircraft are barred from flying in the zone, which covers the area north of the 36th parallel. The no-fly zone over southern Iraq was created a year later and in 1996 was extended from the 32nd parallel to the 33rd parallel, just

south of Baghdad.

The United States and its allies created the zones, citing the United Nations resolutions adopted in the aftermath of the Gulf War, but the UN Security Council itself has never explicitly authorized the zones.

"The no-fly zones have been and will remain an important part of our containment policy," Mr. Clinton said in his remarks Monday. "Because we effectively control the skies over much of Iraq, Saddam has been unable to use air power to oppress his own people or to lash out again at his neighbors."

Inquiry Into Top French Wines Leaves Bad Taste

The Associated Press

PARIS — Some of France's most prestigious wines may have been contaminated by pesticides over the last decade, posing no health hazard but affecting the taste, a top wine trade association acknowledged Monday.

The Bordeaux Wine Board commented by telephone after an investigative report appeared in L'Express, a respected news magazine, this week.

Since the problem became known in Champagne in 1982, many wine professionals have tried to keep it a secret, L'Express reported.

Sophie Girard, a spokeswoman for the wine board, acknowledged the problem but she claimed that it had affected only about 1 percent of wines tested in the past two years and had been corrected for all Bordeaux wines.

She said the public had not been in-

formed because the board preferred to "help Bordeaux vintners resolve the problem rather than alarm the public about something that was relatively minor."

L'Express reported that trace quantities of chlorophenol, a pesticide widely used to treat new wood, had seeped into wines from Bordeaux, Burgundy, Beaujolais, and even Champagne.

The pesticides come from treated wood used in constructing new storage facilities. Hundreds of top French labels, including high-priced bottles from Bordeaux, have been affected, L'Express said.

Some buyers have returned contaminated wine to the vineyards complaining of the bad taste, it said. The taste was often attributed to bad corks.

Ms. Girard said that of the 1,344 wines chosen at random for analysis in

the past two years, 44 had a bad corky taste, and 11 of those were due to pesticides.

"It's very difficult to distinguish between the real taste of a cork gone bad and the moldy taste left by the pesticide," she said.

L'Express did not say what percentage of wines it believed had been affected. But it quoted a wine researcher, Pascal Chabonnet, who first identified the cause of the offensive flavor, as saying that the wood in 50 percent of the barrels tested in his private laboratory in 1996 were contaminated and had to be destroyed.

"Today, we're down to 5 percent," he told L'Express.

Many vintners have solved the problem by tearing down their warehouses and rebuilding with solid oak, which is more expensive but does not require treatment.

BRIEFLY

30 Algerians Die
In Attacks in South

ALGIERS — At least 30 people died and 70 were wounded in simultaneous attacks in southern Algeria, hospital sources said Monday.

Mortar shells and bombs were fired Sunday night at the town of Khenis-Milliana, about 100 kilometers (60 miles) south of Algiers. Fifteen people died and 40 were wounded, the sources said.

At the same time, 10 kilometers to the north, 40 armed men burst into the village of Ain N'our and killed 15 people. Most of them were stabbed to death, hospital sources said. A total of 30 others were wounded, many by gunfire. (AP)

Illegal Immigrants
Float Into Florida

MIAMI — A wave of Cuban and Haitian illegal immigrants has hit South Florida beaches in the last few days in the likely hope that U.S. authorities had let their guard down over the holiday season, the U.S. Border Patrol said Monday.

A total of 25 Cubans in two separate groups came ashore on Miami Beach and Key Biscayne early Monday, raising to 64 the number of migrants rounded up since Saturday, a border patrol special agent said.

Nine other Cubans have been picked up in the Miami area and the Florida Keys since Saturday, as well as 30 Haitians in two boatloads at West Palm Beach. (Reuters)

Molasses Spill Kills
4 in Nicaragua

MANAGUA — Four men died over the weekend and seven remained in grave condition Monday after they were accidentally doused with scalding molasses at a Nicaraguan sugar processing plant, an official at a Managua hospital said.

The 11 victims, all employees at the San Antonio Refinery in Chichigalpa, 95 miles (150 kilometers) north of Managua, were doing repairs Saturday when a valve was opened into a tunnel where they worked, flooding it with molasses and scalding water, local newspapers reported. (Reuters)

EUROPE

Idled Russian Arms Experts Find Takers for Their Nuclear Know-How

By David Hoffman
Washington Post Service

MOSCOW — Boris Vinogradov, a tall, balding engineer with an easygoing manner, was once a captain of Soviet weapons technology. Even now, his office has the aura of a citadel of military science. In the center sits a giant globe, a monument to the planetary reach of his ambitions.

Mr. Vinogradov was among the elite who built the Soviet Union's anti-ballistic missile system over Moscow, a giant network of nuclear-armed rockets and radar. Their six-story headquarters at 80 Leningradsky Prospekt was ultra-secret and bore a simple name: The Scientific Research Institute of Radio Device Design.

A sign still hangs outside the institute, but in the new Russia, the scientists inside have barely survived. Today, their building is a beehive of another kind.

Dozens of Chinese men jostle huge yellow-bales of goods on their backs, carrying them up and down the stairs. They are "shuttle traders," the hardy,

cross-border merchants who lug cheap goods into Russia for meager wages. They have rented four floors of the institute and turned it into a warehouse for leather jackets and furs.

From his windows above them, Mr. Vinogradov, who spent 30 years in the highest ranks of the Soviet and Russian defense industry, looks down with bitterness. "I feel humiliation," he said.

His despair goes to the heart of one of the least understood but most significant consequences of the end of the Cold War and collapse of the Soviet military-industrial complex.

Tens of thousands of highly trained specialists who built Soviet weapons of mass destruction — nuclear, chemical and biological weapons and the means to deliver them — have been thrown onto the street in Russia's chaos of recent years. Their research institutes have been turned into warehouses, or just abandoned. Their government paychecks stopped.

Many have found other jobs in business. Still others have just disappeared.

Despite Western efforts to offer some of them civilian work, no one knows where all the weapons scientists have gone.

It is certain, however, that some have been caught up in a dangerous global contest for their skills. According to well-informed Russian and Western of-

which put people in jail," said Vladimir Orlov, director of the Center for Policy Studies in Russia, a nonproliferation group that exposed how Iraq bought Russian missile-guidance systems.

When the Soviet Union fell apart in 1991, alarm bells sounded in the West

but forfeited the right to travel abroad.

Today, this compact with the government is in tatters.

"It doesn't exist," said Mr. Vinogradov. "The government no longer provides wages, much less a decent standard of living, so the scientists just drift away."

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The collapse of the institute is a metaphor for the larger implosion of the Soviet military-industrial complex.

At the same time, several nations aspiring to build — or already building — nuclear-armed missiles have been looking for technology and expertise.

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In 1994, a group of businessmen who identified themselves as Jordanians came to the Scientific Production Association Energiomash, the giant Soviet, then Russian, manufacturer of rocket engines.

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On Nov. 18, 1994, two of the visitors signed a "letter of intent" with three Energiomash officials for procurement of the engines. In handwriting at the bottom of the document it was noted: "Energomash will give as contractual obligation a complete knowledge about the design calculation, technology, process and testing of the engine components and a complete engine" upon signing a contract.

The visitors were, in fact, not from Jordan. They were from Iraq, part of an undercover delegation then shopping for missile parts at a number of leading Russian defense firms, despite the fact that Iraq was under a United Nations arms embargo.

Russian officials routinely deny that the state sponsored or approved of such deals. But the contacts did not cease. In the case of Weam Charbiyeh, the Palestinian middleman who bought and shipped more than 800 sophisticated missile gyroscopes for Iraq, a criminal case was opened in Russia, but closed without prosecution, according to Mr. Orlov, director of the nonproliferation center.

Iran also sent agents seeking missile and nuclear technology, and U.S. officials say they still are sending them.

Iraq and Iran, as well as China, India and North Korea, have all benefited from the expertise of Soviet and Russian scientists.

ficials, over the last seven years a steady stream of know-how and technology and, in some cases, the scientists themselves, has been reaped from Russia by nations hungry to build their own weapons of mass destruction.

Iraq and Iran, as well as China, India and North Korea, have benefited from Soviet and Russian weapons expertise. Russia has seen undercover groups and shady businessmen shopping for missile parts and technology. Export controls were practically unenforced.

"I do not know of any major cases of prosecution of export control violations

about the fate of the core 2,500 to 3,000 nuclear scientists who had direct knowledge of bomb-building technology and were located in "secret" nuclear cities and laboratories.

But now it is clear that was only part of the problem. Just as vulnerable, if not more so, were tens of thousands of specialists who worked outside the weapons laboratories and beyond the barbed wire fences of the closed cities.

In the Soviet era, weapons scientists accepted a trade-off: They got better living standards than the general public and a chance to carry out their research,

but forfeited the right to travel abroad.

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RUSSIA: Has It Given Up Germ Weapons?

Continued from Page 1

nuclear and missile technology to Iran.

The debate, turns partly on history. After developing germ weapons for several decades, the United States and Russia signed an international treaty in 1972 banning such arms. Almost immediately, Soviet defectors say, Moscow secretly redoubled its germ research and production.

Officials and lawmakers acknowledge that there is scant hard evidence to support their suspicions that Russia is cheating again, but they say Moscow's reluctance to open up its military bases is an ominous sign.

That may be changing. Two weeks ago, the officials said, a small group of Pentagon experts and senior defense scientists met their Russian counterparts for the first time at a once-closed military training institute in Tarnob, some 300 miles (480 kilometers) southeast of Moscow.

High on the agenda were possible scientific exchanges that may provide direct Western access to Russia's biological "holy of holies," as one official put it: four military installations — Serpukhov, Plesetsk, Kirov, Yekaterinburg (Sverdlovsk) and Strizhn — none of which has been visited by the West.

Officials said the military teams had agreed in principle to a series of military exchanges starting in the United States sometime next year.

The breakthrough is potentially significant. Iraq's entire germ arsenal contained enough deadly poison at its peak to kill all the people on Earth many times over, according to UN weapons inspectors.

But the Iraqi program was dwarfed by the amount and variety of weapons the Soviet Union had secretly amassed.

Stepnogorsk, in Kazakhstan, was the only major Soviet germ installation outside the Russian heartland. Called the Scientific Experimental and Production Base, it was known only by its post office box, No. 2076.

While Western intelligence analysts had deduced from the configuration of the buildings that it was designed to produce anthrax or other bacteriological agents, they never figured out precisely what kind of research was being done, what weapons the factory was making or what threat it posed.

Six stories high and two football fields long, the central factory there is filled with 10 giant fermentation vats, each meant to brew 5,000 gallons (19,000 liters) of anthrax microbes. Iraq's entire germ production could have just about fit into one of these vats. And Stepnogorsk was only one of six such Soviet plants.

"As you can see, we haven't made that in some time," Genadiy Lepyshechkin, the base's director, told Pentagon experts and a reporter who recently walked through the anthrax plant, which is being dismantled with Pentagon aid. "And we will never do it again."

Its role in the confrontation between the superpowers remains unclear. Kanatjan Alibekov — or Ken Alibek, as he is now known — Stepnogorsk's former director who defected to the United States in 1992, says the plant was to produce as much as 330 tons of final "product" in a 200-day period if the order came to mobilize for war.

To this day, Moscow says Stepnogorsk made only vaccines and other defensive germ products. But Russian scientists who worked there in Soviet days and now run the place say otherwise.

Moreover, the remaining physical evidence of its real purpose is impossible to hide. Next to a concrete bunker is a machine that Mr. Alibek said was for filling and sealing bomblets. Such equipment had never been discovered at any other Russian germ installation.

Moscow's lies on the issue during the Cold War, skeptics in Washington argue, make trust and cooperation impossible.

Skeptics note that Mr. Yeltsin has banned Russian experts from discussing any aspect of their country's germ history and has retained several generals instrumental in the Soviet program.

Podujevo, Yugoslavia — A fragile cease-fire was holding in northern Kosovo on Monday after four days of clashes between Belgrade's forces and the rebel Kosovo Liberation Army, but the situation remained tense.

"The cease-fire seems to be holding on," said Joergen Grunet, spokesman for the Kosovo verification mission of the Organization for Security and Cooperation in Europe. "The verifiers there are in constant contact with commanders on the both sides."

The fighting has put new strains on an already fragile peace accord struck Oct. 12 that was brokered by the U.S. envoy Richard Holbrooke with President Slobodan Milosevic of Yugoslavia. That pact ended seven months of fighting in Kosovo, a province of Serbia that is largely populated by ethnic Albanians.

In Albania, the Parliament called Monday for intervention in Kosovo by the North Atlantic Treaty Organization, saying this was the only way to prevent a humanitarian disaster and open the way to a "political solution."

And the province's leading ethnic Albanian politician, Ibrahim Rugova, described the situation as "very difficult and dangerous."

He urged the United States and European powers to step up diplomatic efforts toward a lasting political settlement and prevent "ethnic cleansing" by Serb forces.

The Kosovo Information Center, run by Mr. Rugova's party, said 15,000 people had been displaced by the fighting, which erupted Christmas Eve when government forces attacked strongholds of ethnic Albanian rebels, searching for the killers of a Serb policeman.

The clashes around Podujevo, the main town in northern Kosovo, have left 16 dead on the Albanian side and one dead and six wounded among the Serbs, according to semi-official sources.

Podujevo is a strategic town on the main road crossing from Kosovo to Serbia. Eighty percent of its population is of ethnic Albanian origin.

Police patrols circulated Monday along the main road leading from Pristina, Kosovo's capital, to Podujevo, 35 kilometers (21 miles) to the north.

Podujevo's Serb mayor, Srdjan Biseric, told reporters that he met Monday with Vladimir Aleksandrov, a deputy of William Walker, chief of the verification mission, urging him to try to evacuate 13 Serbs who remain in three

villages controlled by the Kosovo Liberation Army — Obradza, Lapastica and Velika Reka.

Mr. Walker left Pristina on Monday for meetings in Vienna at the headquarters of the Organization for Security and Cooperation in Europe, and in Washington, the verification mission said.

The clashes around Podujevo, seen as a major breach of the cease-fire, have raised doubts over the role and fate of the truce observers.

Bronislaw Geremek, chairman of the Organization for Security and Cooperation in Europe, said Monday that the verification mission might have to be reconsidered in light of the new outbreak of fighting.

Mr. Geremek, the Polish foreign minister, expressed his "deep concern with the renewed fighting and the breach of the fragile cease-fire in Kosovo in recent days." He blamed both sides.

The Kosovo Information Center, meanwhile, reported that a military convoy with tanks left its barracks in Pristina on Monday and headed for the northern town of Kosovska Mitrovica. According to Serb sources, three gypsies were killed in the town Sunday by ethnic Albanian rebels. (APF, AP)

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BRIEFLY

Cyprus to Decide On Russian Missiles

NICOSIA — Cyprus will decide Tuesday whether to go ahead with a deployment of Russian missiles that Turkey has threatened to destroy if they are brought to the divided Mediterranean island.

With the Russian manufacturers impatient to ship the S-300 missiles before a year-end deadline, President Glafos Clerides left Monday for Athens and will discuss the matter Tuesday with the Greek prime minister, Costas Karamanlis. (Reuters)

Talks in Ankara

ANKARA — Turkey's prime minister-designate, Yilmaz Erez, began talks Monday with party leaders in an effort to forge a new coalition before the elections set for April.

Mr. Erez, the trade and industry minister, received a mandate last week to form a government after Bulent Ecevit of the Democratic Left Party failed to put together a viable coalition. Turkey's conservative-led alliance collapsed last month under charges of corruption. (Reuters)

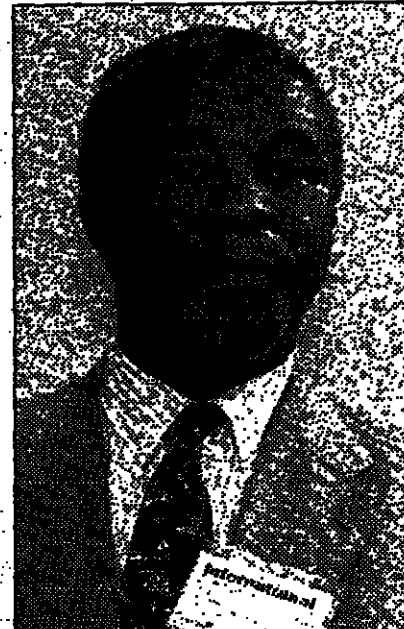
Strasbourg Violence

STRASBOURG — Youths burned cars, hurled objects at buses and tried to set a primary school classroom on fire in a second night of violence here, officials said Monday.

Firefighters quickly extinguished the flames at the school in Strasbourg-Hautepierre, after youths threw a bottle of burning gasoline through a window on Sunday night. Seven cars were set on fire early Monday, bringing to 27 the number of vehicles burned since the violence broke out after a public concert Saturday night. (AP)

Poll Favors Le Pen

PARIS — Jean-Marie Le Pen, the leader of the extreme-right National Front in France, has the backing of a majority of members in the power struggle that has split his party, a poll indicated Monday. Three weeks after the party's now suspended deputy, Bruno Megret, openly challenged Mr. Le Pen, a survey by the CSA polling institute published in the daily Liberation showed the 70-year-old founder of the party far ahead of Mr. Megret, 49, among the party's electorate. (APF)



Thabo Mbeki, who lacks a common touch and is seen as cerebral.

Behind Mandela's Shadow, a Man With a Mission

By Suzanne Daley
New York Times Service

ENGINGWANA, South Africa — Thabo Mbeki, the deputy president of South Africa, earned his degree in economics from the University of Sussex in England and is rarely seen in anything less formal than a double-breasted suit and a tie.

But this weekend, Mr. Mbeki, who is virtually certain of becoming the country's next president, traveled to this remote, rural village where he was raised and where his mother still runs the local store in a room about the size of a garage. Here, where the houses and huts are separated by dirt paths — often clogged with cows and sheep — and the fields stretch unbroken over the hilly horizon, South Africans got to see a slightly different Mr. Mbeki.

He wore a single strand of his tribal beads over an open-necked shirt. And, as is traditional in his Xhosa tribe, he sat with the village elders in his mother's cattle

pen, drinking home-brewed beer and banting freshly slaughtered meat.

A question about who Mr. Mbeki is still hangs in the air in South Africa. In recent months, he has appeared to be making an effort to provide an answer. It would be difficult for any man to come out from behind President Nelson Mandela's shadow. But it is perhaps even harder for Mr. Mbeki than it might be for others because he lived in exile for more than 30 years and is clearly ill-at-ease in the public eye.

The events this weekend, including a feast for thousands of villagers, was a way of showing South Africans who remain somewhat suspicious of him that his roots are indeed here along South Africa's southeast coast.

"They will see him in this place," said Smuts Ngonzama, director of information for the governing African National Congress, "and they will know that he is one of them."

The expedition to his hometown also made it possible for Mr. Mbeki, 56, to

remind South Africans of his own credentials in the struggle for South Africa, even if they do not reach the stature of Mr. Mandela's 27 years in prison. The Mbeki family was deeply involved in the anti-apartheid movement, and several of Mr. Mbeki's family members — including a brother — disappeared and are presumed to have been killed by the police.

By all accounts, the deputy president has been running the day-to-day affairs of the country for several years now, and last year he became the president of the African National Congress. The party is expected to win elections next year easily, but it is hoping for a very large majority and so Mr. Mbeki's image counts.

Despite Mr. Mbeki's obvious prominence in the party, it is Mr. Mandela who is always in the headlines. His touch with the people has produced an abundance of heart-warming pictures as he hugs children and beauty queens and greets celebrities and heads of state. Mr. Mbeki appears to have no such touch. He is

cerebral and stiff. But more and more he has been going public in his own way.

A collection of Mr. Mbeki's speeches, called "Africa, the Time Has Come," was published this month. Mr. Mbeki spent years as a speechwriter for the African National Congress, and even if his delivery tends to be uninspired, some of his speeches have been memorable, rising almost into poetry. He is famous throughout South Africa for a speech everyone calls the "I am an African" speech, which uses that line as a refrain.

"I am an African," it begins. "I owe my being to the hills and the valleys, the mountains and the glades, the rivers, the deserts, the trees, the flowers, the seas and the ever-changing seasons that define the face of our native land."

The speech he gave to Parliament on the day South Africa passed its new constitution in 1996 ends with, "Nothing can stop us now."

Most often Mr. Mbeki, who is married but has no children, is described as a workaholic. Indeed, during the hours of speeches and traditional dancing and singing in honor of Mr. Mbeki on Sunday, Mr. Mbeki came over from his own rural village where he vacations to say hello and to tweak his deputy for working too hard.

When it was Mr. Mbeki's turn at the microphone, he told a few jokes, but quickly got down to business. In the briefest speech of the day, he said that some South Africans do not know what to do with their newfound freedom.

Some, Mr. Mbeki said, believe that freedom means they can rape and steal other people's property. Some believe that freedom means they do not have to go to work. Some teachers, he said, are showing up at school drunk and some police officers are corrupt and even ANC officials were lining their pockets. "Something is amiss here," he said. "We shall note all this next year and change our patterns."

Stigma of AIDS Leads to a Killing in South Africa

By Donald G. McNeil Jr.
New York Times Service

JOHANNESBURG — A volunteer working to persuade South Africans not to discriminate against HIV-infected people was beaten to death last week by her neighbors, who accused her of bringing shame on their community by revealing that she was HIV-positive.

The killing scared other public-health workers, who said it proved what they have said for years — although 3 million South Africans are infected with the virus that causes AIDS, most are afraid to admit it because of the hostility they face.

The woman who was killed — Gugu Diamini, 36, a volunteer field worker for

the National Association of People Living With HIV/AIDS — went public on World AIDS Day, Dec. 1, speaking about her HIV infection on Zulu-language radio and on television.

Since then, according to nurses who knew her, she was repeatedly threatened by neighbors in her township of KwaMashu, outside Durban, who said she was giving their community a bad reputation. Last Monday, she was punched and slapped by a man who told her that many others who were sick kept quiet about it.

South Africa has the world's fastest-growing AIDS epidemic, according to the latest United Nations and KwaZulu-Natal, where Ms. Diamini lived, is the

worst-hit province. Up to 30 percent of adults there are infected.

Although Ms. Diamini called the police that day, they did nothing, friends told a local newspaper. That night, a mob attacked her house and stoned her. Kicked her and beat her with sticks. She died the next day.

"She was a nice, bright woman, and now her child is an orphan because of AIDS," said Mercy Makhalamele, an administrator for the association. "But not because she died of it. Because she was trying to exercise her constitutional right to freedom of speech."

Prudence Mabele, the first black South African woman to admit being HIV-positive, said she was threatened many times

after coming forward in 1994. She moved out of her township into downtown Pretoria largely out of fear, she said.

Kevin Osborn, a former local leader of the association, said he thought the killing would "put the cause of people with AIDS two steps back."

Ms. Makhalamele said she was not sure, thinking it might galvanize anger in the small activist community.

They have an uphill task. The head of the association, Peter Buse, said last month that fewer than 100 of the country's 3 million infected people were completely open about it. "When something like World AIDS Day comes around, we have trouble finding 20 people to go on television and radio shows," he said.

Floating on Millennium Optimism

Fashion Sets The Tone for Celebration

By Suzy Menkes
International Herald Tribune

PARIS — Like a dedicated party-goer laying down champagne for future celebrations, fashion already seems to be in pre-millennium mode. There is a mood of light-hearted optimism in clothes both in the street and on the catwalk — even before this year's end has been ritually feied on Thursday.

In contrast to the black, grungy, angst-ridden images that have dominated the 1990s, the predominant message from avant-garde designers is a feeling of hope and regeneration that traditionally comes with a new century.

Think of 1999 as the year of the balloon. The attempt last week by Richard Branson to float around the globe may have been a noble failure, but it captured the current madcap spirit.

Hey, you can't wear a balloon! Oh, yes you can! The inflatable dress is the ultimate in fashion whimsy for the new season.

First there were the swelling torsos, shoulders or necklines from the Dutch designers Viktor and Rolf, who filled out their colorful clothes with blown-up balloons inside them. Out bounced the outfits onto the runway — a Pierrot collar puffed up on a silver body suit or



From Visionaire's current Fantasy issue, Terry Richardson's clown-like interpretation of Valentino's furry coat.



Above, Thierry Mugler's tulle dress and puffed hair.



Far left, Viktor and Rolf's harlequin suit with blown-up bodice; left, their silver suit with inflated Pierrot collar.



Above right, Pucci's jester cap and silk top with harlequin trim; above, Betsey Johnson's tulle-layered Christmas fairy dress.



Left, Christian Lacroix's ruff-shoulder dress and wrist streamers; above, Jeremy Scott's gilded bow-collar.

a harlequin outfit with its bodice inflated like a life jacket. When the pneumatic effects were deflated, the extra folds of fabric just draped gracefully.

The witty and whimsical show of Yohji Yamamoto also had a blown-up dress — part of a bridal theme that had started the previous season with a wedding dress unfurled from strings like a parachute.

Then there are balloons as playful accessories. At the finale of Alberta Ferretti's spring-summer show in Milan, the models batted balloons around

as though they were chasing soap bubbles.

In a similar fashion spirit are puffed tulle skirts, voluminous but feather-light, from designers as diverse as the American Betsey Johnson, who even sent out a frilly tutu, to France's Thierry Mugler, whose models had dresses like spun sugar and hair in giant pom-poms.

If you were searching for a fun accessory for New Year's Eve, think of party favors to go with that sober little black dress. Colored streamers tied

round the wrists at Christian Lacroix played on a ribbon theme that ran through the spring collections. There were ribbons decorating hems, weaving a lattice across a bodice, dangling at the knees from Marc Jacobs's pedal pushers or tied in bows down the spine of a good little girl's party dress from Ferretti.

What else is in the party spirit? There are ruffles at the shoulders (Lacroix), blouse hem (Gucci) or cascading down skirts (Alexander McQueen); balloon sleeves on peasant-style blouses at Valentino; gleaming gold from the usually discreet Jil Sander, and a dramatic gold leather collar from Jeremy Scott.

In fact, you might be forgiven for thinking that Christmas decorations had been taken down from the tree and used on clothing. Dresses shimmer with a silver dust of sequins and hologram patterns create high-shine surfaces. At the upbeat show of the ebullient knitwear designer Julien MacDonald, woolies dangled with fringe, flower appliques and beads.

What does all this party business mean? The future may be grim, but fashion seems finally to have left the security of looking backward. Instead of its retro trail through past decades and its focus on the bleaker side of life expressed by so-called grunge or "heroin chic," there is a mild feeling for futurism and a hedonistic enjoyment of the present. The Spice Girls and their sense of fun are the mascots of the moment.

The photographers who are marking the end of the 20th century are Ellen Von Unwerth, with her lark, spunky, feminist approach; David La Chapelle, who created arresting, technicolor Adam and Eve images for Giorgio Armani; Mario Testino's groups having a good time, and the vivid, computer-enhanced photographs of Inez Van Lamsweerde and Vinoodh Matadin.

For the editors of the avant-garde publication Visionaire, fantasy is the spirit of modern times. Their latest edition is filled with upbeat images (all presented in circular bubble shapes) including those Viktor and Rolf inflated suits and other fantastical visions by leading photographers and fashion stylists.

BOOKS

MY GERMAN QUESTION Growing Up in Nazi Berlin

By Peter Gay. 208 pages. \$22.50. Yale.
Reviewed by Jonathan Yardley

PETER GAY, now emeritus professor of history at Yale, is well known in the scholarly and literary communities as the writer of numerous large and ambitious books, many dealing with social history and bourgeois life, nearly all heavily influenced by Freud. What is far less widely known is that although Gay writes in English, it is not his native language: he was born Peter Joachim Froehlich in 1923 in Germany, and fled the Nazis 16 years later with his mother and father.

Unlike others thus affected by Nazism, Gay does not see himself as a victim and declines to present himself as such. By contrast with millions of others, he suffered relatively little, survived without physical injury and made a handsome career for himself in his new country. But to this day, he writes, he is afflicted by what he calls "my German problem," essential components of which are a hatred for Germany and Germans that did not begin to abate for many years, and a sense that few people who were not German Jews living under Nazi rule can fully appreciate the complexities of their existence.

It is widely assumed that "Germany's Jews in Hitler's Reich had gone to their slaughter like lambs," an allegation that

when presented to Gay led him to ask: "Why didn't we pack our bags and leave the country the day after Hitler came to power?" This memoir is an attempt to address that question, in personal terms but ones that have broader pertinence.

The beloved only child of middle-class parents — his father was in "the crystal and china business" — who were highly cultured and strongly attached to a large extended family, Gay grew up thinking of himself far less as a Jew than as a German. "There are three ways of becoming a Jew," he writes: "by birth, by conversion, by decree." The Nazis, as they began to crack down on Jews in the early 1930s, made him a member of the third group, but he and his parents "did not want to be Jews by Nazi edict; their definition of our 'race' was just another lie that we repudiated as unhistorical and unscientific."

To some extent the Froehlichs, like the Finzi-Continis in their famous garden, simply denied what they saw all around them. But two things mattered more. One was that "we were Germans; the gangsters who had taken control of the country were not Germany — we were." The other was that for a long time life went on pretty much as it always had, a "reminder that major public tremors and mundane private matters easily co-existed." It was harder than that in hindsight to work up a sense of urgency; this did not come until the summer of 1938, when Gay's father was evicted from his firm

"without compensation and, given the Nazis' legal and judicial system, without recourse."

It was then, as "other portents proliferated and at unprecedented speed," that the little family began to try to flee. It was able to do so because of the courage and persistence of Gay's father, the convenience of having close relatives in Florida and a substantial amount of plain good luck. The Froehlichs missed the gas chambers by little more than a wink and a whistle.

They went first to Havana, then to the United States, where they settled in Colorado. Young Peter set about becoming American with determination — his change of name was an early move in that direction — and soon became an American success. But the "was" was physical distance from Nazi Germany, even the free air we had yearned so desperately to breathe, had not automatically diminished the pressure of the past, let alone erased it.

It took a long time for Gay to reach an accommodation with Berlin, a city he had loved deeply. He describes his reluctance to cross the border into Germany, his apprehension that as a Jew he would be treated cruelly, his impatience with those who misunderstood the complex situation in which, as a boy, he had lived. He knows even now that Germany will always stir deep emotions within him, many of them unpleasant, but he has come to terms with it.

Washington Post Service

CHESS

By Robert Byrne

YOU hear a lot of complaints from tournament players about what a burden it is keeping abreast of the latest developments in opening practice. Now the computer has been pressed into service, and its remarkable speed makes it possible to add an enormous number of openings to your and your opponent's repertoires.

In the game between the Manhattan grandmaster Nick DeFirmian and the French international master David Marciano in the ninth round of the Chess Olympiad, it was not until the 20th move that play diverged from previous channels. The American had worked out a new method and went on

to score a victory that gave his team a 2½-1½ triumph over France.

The Petrov Defense, 2...Nf6, is a counter-attack intended to keep White from obtaining a serious initiative. Its symmetry is short-lived, as can be seen after White's attack on the center with 8 c4.

The sally, 8...Nb4, is part of a plan to disturb the white pieces and prevent them from digging in on their favorite squares.

After 12...c6, DeFirmian played 13 Ra1 against Gregory Kaidanov in New York 1994, but after 13...dc14 Bc4 a5 15 a3 Nc3 16 ab Nb5 17 ba Ra5 the game was even. This time he was determined to get more.

The key point of Black's strategy is 14...Ne2, with the idea that on 15 Ra1 Nc3 16 fe, White gets a backward e pawn and Black the bishop pair. But lately White has countered this with a sacrifice of rook for knight and pawn with 15 Qb7! Nal 16 Ra1.

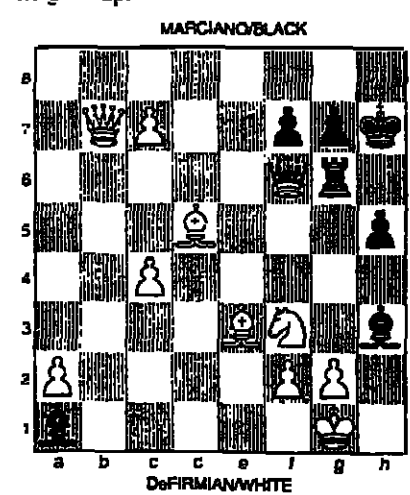
After 17 Qd7 Bd7 18 Ne5 Rad8 19 Rb1 f6 20 Nd7 Rd7 21 g4, DeFirmian's positional superiority would outweigh his opponent's slight material advantage. Marciano chose to sacrifice a pawn with 16...Bf6 17 Qc6, staking all on a middle game counter-attack.

But Marciano's hopes were soon thwarted by DeFirmian's aggressive 20 Bc6!, a great improvement over the passive 20 Nd2 of a Benjamin-Christiansen game earlier this year in San Francisco.

After 20...Rc8 21 c4! Rg4 22 Bd5, DeFirmian had picked up more material and defended his king at the same time. Marciano's 22...Re5 23 dc Ba1 made a mess of the white pawns, but the important thing was that a lot of them were still there.

After 26...c6, Marciano might have tried 26...Bd5 27 c7 Rg2 28 Kg2 Bf3 29 Kf3 Qf6 30 Ke2 Qb2 31 Bd2 Qe5, but on 32 Kf1, there are no more checks, and DeFirmian queens his c pawn and wins.

After 29 Be4!, Marciano saw that 29...Bg2 30 Ng5! would crush him, and he gave up.



Position after 28...Bb3

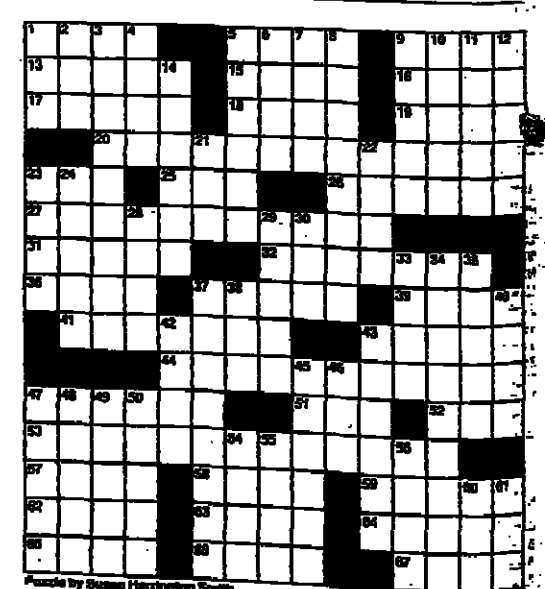
CROSSWORD

- ACROSS**
- Shells, for short
 - "Not on —"
 - Mark left by Zoro?
 - Instrument for an étude
 - Pre-stereo
 - Dramatic entrance announcement
 - Blooper
 - Verve
 - Hertz rival
 - Little guy getting the third degree?
 - Woe, to Burns
 - "Gee!"
 - Kind of crew
 - Neatly combed cummerbund?
 - Hunter in the night sky
 - Lamp type
 - Filmmaker Jacques
 - Lesley of "60 Minutes"
 - Penit, Cambodia
 - Ropes, as a dog
 - Cartoon "Mr."
 - Gambling locale for the tuckman?
 - French dramatist Antonin —

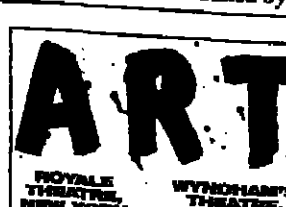
- DOWN**
- Mimic
 - Russian space station
 - Tequila drink
 - about (circ)
 - Saurterd
 - Word with crashing or tidal
 - St. Germain's wife
 - Like Cinderella's slipper, to her stepsisters
 - Jump involuntarily
 - Quibble
 - can you spare —
 - Grating
 - Sounds from Santa
 - Fishing aid
 - Bright-red ungleared china?
 - They may clash in business
 - Addicts
 - Letter for Gandalf
 - Tied
 - Sign up
 - Caddie's bagful
 - Withhold, as funds
 - Concerning

Solution to Puzzle of Dec. 28

RARE BALK USES
ORAL OBIE ANKLE
BEGINNING OF TIME
SAS IN RE RAINS
AID DARE
BADGE BEN DRAY
SEPIA OMEGA EWE
CENTRAL AMERICAN
ABE ADIE WADON
TEAS VAL TROME
ILES TAI
SWEAR GAGA VIA
STORYBOOKENDING
PURRS WREN ANTE
ANNA LEND WOOD



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THE AMERICAS

Sky's the Limit for Brave New Digital-Television World

By Lawrie Mifflin
New York Times Service

NEW YORK — For an aviation buff, the Discovery Wings cable channel is a dream come true — programs about planes and flying all day long. Replace the aviation aficionado with a health nut hungry for the latest medical news (mimed to Discovery Health), or a do-it-yourselfer immersed in home renovations (Discovery Home and Leisure), or a schoolchild exploring ancient worlds (Discovery Civilization) — Discovery has a channel for each.

Meanwhile, MTV Networks, parent of MTV and VH1, has sprouted seven more offspring for different genres — VH1 Country, VH1 Soul, VH1 Smooth (jazz and "New Age" music), M2 (regular MTV on a different time schedule), MTV Rhythmic (Latin music), MTV Rocks (hard rock and heavy metal) and MTV Indie (independent music and rap) — making a miniature radio dial on the television set.

Fewer than 2 million U.S. homes can receive these niche-within-a-niche cable channels, but they offer a glimpse of a vastly different media universe of the not-too-distant future, a world where an American audience already fragmented by myriad cable channels will be splintered into even tinier shards, as when Fox Family Channel recently announced the creation of separate networks for boys and girls.

Digital technology, which enables the television signal to be compressed to carry far more information, is ushering in this new age, where perhaps 1,400 or 1,500 choices will be on parade. Some of those choices will take forms that people now associate with computers rather than television sets, like bringing data to the screen, or Internet access, or interactive shopping, banking or video games.

The first tentative steps into this future are taking place, recalling the days when television itself was being created by people who, at first, tried simply to recreate popular radio shows on film.

Television industry leaders today are as uncertain as they were then about how to use this new medium and about what viewers will want from it. "The transition to DTV is the biggest change in television history since television began," said Sandra Kresch, a partner in the entertainment and media division of PricewaterhouseCoopers, the giant consulting firm. "Everyone has a vague idea of what the technology will produce; everyone has a vague idea of what consumers will want. But this has the potential to be so

different from anything that's come before that nobody is really sure how it's going to develop."

Currently, digital cable television is transmitted primarily to cable systems around the country owned by Tele-Communications Inc. Since it was first offered in late 1997, about 1.4 million cable customers have signed up for it. They get a package of 36 extra channels for \$10 a month and pay \$3 to \$4 a month to rent a set-top box required to bring in the digital signal.

Digital signals can also provide high-definition television, or HDTV — pictures so crystalline and detailed that they look like Hieronymus Bosch paintings come to life. Most experts predict that HDTV

prices will stay relatively high, moving to around \$3,000 in three years from \$7,000 or more now and causing HDTV to take a decade or more to catch on.

But standard-definition digital television sets — with clearer pictures than current sets and the capacity to put in hundreds of channels — are a better bet for mass consumption. Experts say their prices will fall below the \$1,000 mark within about three years.

For the near future, the average viewer with a digital television set will begin to see three main uses of the greater channel capacity: programs shown in high-definition format (HDTV), many more channel choices (multicasting) or varied

choices of starting times for movies and events (multiplexing).

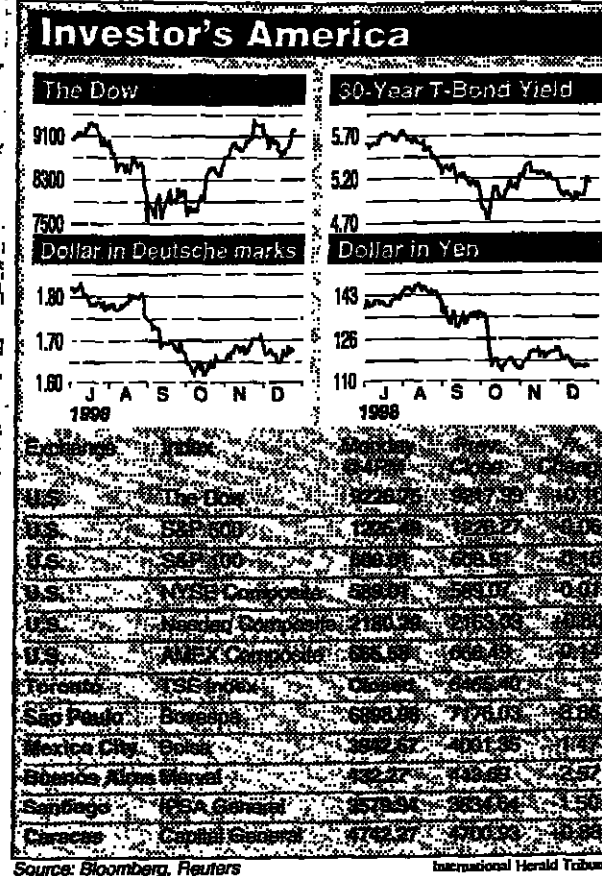
"The consumer is being offered a decision," said Thomas Rogers, president of NBC Cable and executive vice president of the NBC network, a unit of General Electric Co. "Do they want more choices or prettier pictures? My guess is the answer will be a resounding vote for both."

But because the prettier pictures cost more to produce, and fewer people are likely to buy those expensive HDTV-ready sets, most experts say the industry will concentrate on greater choices — both in programming and in data broadcasting. Viewing habits are expected to involve even narrower, more individually tailored and, eventually, in-

teractive choices as digital television takes hold.

Programmers are trying to position themselves in the new universe. That is why A&E Networks (which is jointly owned by Walt Disney Co., Hearst Corp. and NBC) has started the Biography Channel and the International History Channel, expanding on two of its most popular existing program brands.

"It's like rolling the dice right now," said Nicholas Davatzes, president of A&E Networks. "I said to myself, 'I'm not getting on it.' I'm going, but I'm in a position of finding out they discovered America and I'm not there because I'm still in Greece tending my sheep."



Very briefly:

- Cooper Industries Inc. plans to cut 1,000 jobs, or about 3 percent of its workforce, as the maker of Crescent wrenches and Halo light fixtures reduces costs amid a weakening outlook.
- SPX Corp., the world's leading maker of automobile-testing equipment, plans to take a fourth-quarter charge of as much as \$250 million to cut 1,000 jobs, or 7 percent of its workforce, and close 25 plants and offices following its October purchase of General Signal Corp.
- Fairchild Corp., an aerospace and industrial-faster manufacturer, agreed to buy Kaynar Technologies Inc., another maker of fasteners, for about \$267 million.
- Panamerican Beverages Inc., the largest soft-drink bottler in Latin America, restructured \$360 million of debt maturing at the end of January with the help of Coca-Cola Co. and its bankers. Coke loaned the Mexican company \$200 million.
- AMR Corp., the parent of American Airlines, agreed to sell its airline and airport-services unit to Castle Harlan Inc., a New York-based merchant bank that specializes in leveraged buyouts. Terms were not disclosed.
- JumboSports Inc., a sporting-goods retailer, filed for Chapter 11 bankruptcy protection.

Weekend Box Office

The Associated Press

S. ANGELES — "Patch Adams" dominated the U.S. office over the weekend with a gross of 25.3 million, following are the Top 10 moneymakers, based on Saturday's ticket sales and estimated sales for Sunday.

Rank	Title	Universal	Box Office
1	Patch Adams	Universal	\$25.3 million
2	Stepmom	Warner Bros.	\$19.1 million
3	You've Got Mail	Warner Bros.	\$15.2 million
4	The Prince of Egypt	Dimension Films	\$13.8 million
5	The Faculty	Warner Bros.	\$13.1 million
6	Nightmare on Elm Street	Warner Bros.	\$12.9 million
7	A Bug's Life	Walt Disney	\$12.5 million
8	Star Trek: Insurrection	Paramount	\$12.3 million
9	Enemy of the State	Touchstone Pictures	\$12.1 million
10	Jack Frost	Warner Bros.	\$11.8 million

The Trib Index

Jan. 1, 1992 = 100

Index	Level	% Change	% Change Year to Date
World Index	204.36	+0.11	+0.05
Regional Indices			
Asia/Pacific	88.31	-0.44	-0.50
Europe	237.55	+1.42	+0.80
N. America	290.06	-0.93	-0.32
S. America	82.87	-1.51	-1.79
Industrial Indices			
Capital goods	305.96	-0.06	-0.02
Consumer goods	247.07	+0.32	+0.13
Energy	139.80	-0.09	-0.04
Finance	139.80	-0.17	-0.12
Miscellaneous	197.72	+4.79	+2.48
Raw Materials	168.65	+1.51	+0.90
Service	217.07	-0.53	-0.24
Utilities	186.20	+1.01	+0.55

Monday's 4 P.M. Close

The 200 most traded stocks of the day, up to the closing on Wall Street.

The Associated Press

Stock	Sales	High	Low	Close
IBM	1,100	110 1/4	110 1/8	110 1/8
Microsoft	1,000	55 1/4	55 1/8	55 1/8
Apple	800	45 1/4	45 1/8	45 1/8
Oracle	700	40 1/4	40 1/8	40 1/8
Amazon	600	35 1/4	35 1/8	35 1/8
Google	500	30 1/4	30 1/8	30 1/8
Yahoo	400	25 1/4	25 1/8	25 1/8
Alibaba	300	20 1/4	20 1/8	20 1/8
Netflix	200	15 1/4	15 1/8	15 1/8
Spotify	100	10 1/4	10 1/8	10 1/8

Cargo Firm To Cut Jobs

DALLAS — Kitty Hawk Inc., the world's largest air-only freight carrier, said Monday that it would cut the work force of its American International Airways division by 1,500 people, or 55 percent, as it focused on its main air-cargo business.

Kitty Hawk said the AIA unit would be an all-cargo contract airline by the time the job cuts were completed at the end of next year.

The Dallas-based company has not decided whether it will take a restructuring charge.

The unit carries freight and operates charter flights for cruise lines and tour companies. High costs and low margins led Kitty Hawk to park two passenger aircraft this month.

Passenger flights account for less than 10 percent of Kitty Hawk's total sales, which were \$478 million in the first nine months of 1998. After the job cuts, AIA's fleet of aircraft will shrink to 19 from 42.

"After carefully considering all the options, we have concluded that the only way to bring the AIA operation up to our mandatory level of success and profitability is to reduce head count and continue to sell our unprofitable noncore businesses," said Tom Christopher, chairman and chief executive officer.

Shares of Kitty Hawk fell 50 cents to close at \$11.50. (Bloomberg, Reuters)

Investors Dig for Internet Gold

NEW YORK — Internet stocks sent the Nasdaq composite index to a record high Monday, but the broader market lagged the technology stars.

The Nasdaq composite closed up 17.26 points at a record 2,180.29, while the Dow Jones industrial average finished 8.76 points higher at 9,226.75. But declining issues outnumbered advancing ones by a 3-to-2 ratio on the New York Stock Exchange, and the Standard & Poor's 500 index fell 0.78 point to 1,225.49.

SkyMall was the second most actively traded stock, rising 23 to 35 9/16. The company, which sells goods and services to airline passengers through a catalog, caught attention by announcing a 600 percent increase in Internet sales for the year. But even with the increase, Internet sales amounted to just 3 percent of SkyMall's total sales of \$65 million.

Another little-known company, Active Apparel, rose 10 1/4 to 1 1/2 after announcing it had created a site on the World Wide Web to sell its clothes.

"It's pure speculation," said Trent May, who manages the Invesco Growth Fund. "People see the moves that the leading Internet companies have and think that they can uncover the next AOL or Yahoo! by dipping. I think people are kidding themselves."

But well-established Internet stocks also continued to surge. America Online, the biggest Internet service provider, was the most active U.S. stock, rising 2 1/16 to 157 1/16. Yahoo!, the leading search engine, rose 28 3/4 to 27 1/4. Amazon.com, the on-line book-seller, rose 27 1/4 to 35 1/16.

Investors Dig for Internet Gold

On-line brokerages also surged. E*Trade Group climbed 11 1/4 to 56 1/4 after the No. 2 on-line broker said its new Web site had signed up more than 500,000 members since September, when E*Trade began a \$100 million marketing campaign to add new accounts.

Charles Schwab rose 3 3/4 to 63 3/4, giving the leading on-line broker a bigger market capitalization than Merrill Lynch, the biggest U.S. securities firm. Merrill does not offer on-line trading.

Investors Dig for Internet Gold

U.S. STOCKS

Prices were lifted by expectations for U.S. inflation to remain subdued well into next year, enhancing the value of fixed-income securities. (Reuters, Bloomberg)

Investors Dig for Internet Gold

Dollar Slips in Thin Year-End Trading

NEW YORK — The dollar was lower against other major currencies Monday, with traders reluctant to take large positions before the end of the year and the birth of the euro currency.

"A lot of big banks are doing nothing right now," said Peter Hansen, vice president of corporate and institutional sales at Den Danske Bank in Copenhagen. "The dollar will be relatively stable in the next few days."

With financial markets in London closed for a holiday, most activity came from corporate customers and was confined to trading against the yen.

"Corporate selling orders capped

U. S. STOCK MARKET DIARY

Index	High	Low	Close	% Change
Dow Jones	9230.75	9210.00	9226.75	+0.80
S&P 500	1230.00	1225.00	1225.49	-0.78
Nasdaq	2190.00	2170.00	2180.29	+17.26

Stock	High	Low	Close	% Change
IBM	110 1/4	110 1/8	110 1/8	0.00
Microsoft	55 1/4	55 1/8	55 1/8	0.00
Apple	45 1/4	45 1/8	45 1/8	0.00
Oracle	40 1/4	40 1/8	40 1/8	0.00
Amazon	35 1/4	35 1/8	35 1/8	0.00
Google	30 1/4	30 1/8	30 1/8	0.00
Yahoo	25 1/4	25 1/8	25 1/8	0.00
Alibaba	20 1/4	20 1/8	20 1/8	0.00
Netflix	15 1/4	15 1/8	15 1/8	0.00
Spotify	10 1/4	10 1/8	10 1/8	0.00

INTERNATIONAL FUTURES

Contract	High	Low	Close	% Change
Oil (WTI)	28.00	27.50	27.75	-0.86
Natural Gas	3.50	3.40	3.45	-0.29
Gold	380.00	378.00	379.00	-0.26
Silver	7.50	7.40	7.45	-0.67
Copper	1.50	1.45	1.48	-3.33
Aluminum	1.20	1.15	1.18	-4.17
Zinc	0.80	0.75	0.78	-6.25
Lead	0.40	0.35	0.38	-7.69
Nickel	0.20	0.15	0.18	-10.00
Platinum	800.00	790.00	795.00	-6.25
Palladium	1200.00	1180.00	1190.00	-8.33

INTERNATIONAL FUTURES

Contract	High	Low	Close	% Change
Japanese Yen	143.00	142.00	142.50	-0.70
British Pound	1.65	1.64	1.645	-0.30
Swiss Franc	1.48	1.47	1.475	-0.34
Canadian Dollar	0.68	0.67	0.675	-0.74
Australian Dollar	0.75	0.74	0.745	-0.67
New Zealand Dollar	0.45	0.44	0.445	-0.67
South African Rand	10.50	10.40	10.45	-0.95
South Korean Won	180.00	178.00	179.00	-1.11
Indonesian Rupiah	1600.00	1580.00	1590.00	-1.25
Singapore Dollar	1.35	1.34	1.345	-0.37
Thai Baht	50.00	49.00	49.50	-2.00
Malaysian Ringgit	3.80	3.75	3.78	-1.32
Philippine Peso	48.00	47.00	47.50	-2.08
Vietnamese Dong	1600.00	1580.00	1590.00	-1.25
Indonesian Rupiah	1600.00	1580.00	1590.00	-1.25
Singapore Dollar	1.35	1.34	1.345	-0.37
Thai Baht	50.00	49.00	49.50	-2.00
Malaysian Ringgit	3.80	3.75	3.78	-1.32
Philippine Peso	48.00	47.00	47.50	-2.08
Vietnamese Dong	1600.00	1580.00	1590.00	-1.25

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سكرا من الأصل

EUROPE

Cheaper by the Minute: German Phone Firms Slash Rates

Compiled by Our Staff From Dispatches

FRANKFURT — Germany's round of telephone price cuts reached a dizzying pace Monday as Deutsche Telekom AG pledged to halve its minimum price and MobilCom AG offered free calls of up to one minute.

Deutsche Telekom AG said it would drop its price on off-peak domestic calls to 12 pfennig (7 cents) a minute from as much as 24 pfennig, while MobilCom said it would not charge customers in the new year for domestic calls lasting less than one minute that were made between 7 P.M. and 11 P.M. and dialed using its 01019 prefix.

Ron Sommer, Telekom's chief executive, also told the newspaper

that the company would cut fees for calls inside Germany to as little as 6 pfennig a minute in 1999.

"The current price measures are certainly not the end of the road," he said. "You can expect to be able to make telephone calls with Telekom for just 6 pfennig a minute throughout Germany in the coming year."

Such a rate drop may be accompanied by an increase in monthly fees or be subject to further conditions such as shortened calling hours, although exact details have not been made public, a Telekom spokesman said.

The reductions marked the latest

round with deregulation of the German telecommunications market at the start of 1998. Since then, domestic long-distance rates have fallen 70 percent.

Deutsche Telekom, Germany's former monopoly, has seen its market share slide to about 75 percent as competitors such as MobilCom, which holds 10 percent of the market, have been able to lure customers with lower prices.

"At some point, the price cuts get dangerous," said Robert Halver, an analyst with Bank Deutscher & Co. in Frankfurt. "The pain threshold may have been reached."

Shares in Telekom, 74 percent-owned by the German government, fell 55 pfennig to close at 54.85

Deutsche marks (\$32.62) amid investor fears that the price cuts would eat into its earnings.

Private competitors, led by MobilCom, saw bigger price drops amid fears that they were not as well equipped as Telekom to maintain the pace of reductions. MobilCom fell 7 percent, or 42 DM, to 557. Mannesmann AG, which operates the Mannesmann Arcor telephone company, fell 3.8 percent to 192 DM.

Telekom's other main private competitors, O.Tel. and Mannesmann Arcor, said they would match the price cuts set by Telekom once it had become clear when and under what terms they would apply.

"You can be sure that Telekom's private competitors will do all they

can to offer similarly attractive terms," said a spokesman for O.Tel., the telephone joint venture of the utility companies RWE AG and VEB AG.

Another competitor, VIAG Interkom, accused Telekom of "competition-distorting behavior" and said the company was exploiting its remaining monopoly in the local-calls market to subsidize its long-distance business.

A spokesman for Telekom said the group would not follow MobilCom in offering free calls. Telekom also said it would try to limit the earnings impact of the price reductions as much as possible through cost savings and business growth.

(Reuters, Bloomberg)

Shares Rise On Daimler's '98 Forecast

Compiled by Our Staff From Dispatches

STUTTGART — Shares of DaimlerChrysler AG rose strongly Monday after the company said it would post an increase in sales and profit for 1998 because of robust economies in Europe and the United States.

In Frankfurt, DaimlerChrysler shares closed at 166.50 Deutsche marks (\$99.50), up 8.80. In late U.S. trading, the stock was quoted at \$98.25, up \$4.0625.

Daimler-Benz AG completed its \$36 billion takeover of the third-largest U.S. automaker, Chrysler Corp., in November, forming DaimlerChrysler, Europe's biggest manufacturer. It said Sunday that it expected sales to climb to \$148 billion this year from \$127.1 billion for the two companies last year. The company also said it expected profit to be "significantly higher" than 1997's combined \$6.26 billion.

The company said Monday that it would pay a dividend for the 1998 business year that would be "sharply higher" than the dividend Daimler-Benz paid its shareholders in 1997. Daimler-Benz paid a dividend of 1.60 DM a share last year, while Chrysler Corp. paid \$1.60 a share.

DaimlerChrysler projects sales for 1998 at about 4.4 million vehicles, with the Mercedes-Benz and Smart car brands accounting for 850,000, the Chrysler, Dodge, Plymouth and Jeep brands for 3 million, and Mercedes-Benz, Freightliner, Setra and Sterling trucks for 480,000.

DaimlerChrysler also said 13,000 workers had been hired this year as a result of the success of the company's products. The work force totaled 434,000 at the start of 1998.

(Bloomberg, AFP)

Investor's Europe

Stock Index	London	Paris
FTSE 100	5,000	3,400
CAC 40	5,000	3,400
Amsterdam	3,500	2,500
Brussels	3,500	2,500
Frankfurt	3,500	2,500
Copenhagen	3,500	2,500
Helsinki	3,500	2,500
Oslo	3,500	2,500
Stockholm	3,500	2,500
Vienna	3,500	2,500
Zurich	3,500	2,500

Very briefly:

• Mediaset SpA, Italy's largest commercial-television company, expects to resume talks with News Corp. Europe and Prince Walid bin Talal, the Saudi investor, about investing in Kirch Group of Germany in the new year.

• Leaders of Germany's two major unions, representing almost 6 million workers, rejected government calls for restraint in pay talks after Bonn moved to cut taxes and raise family allowances. Chiefs of IG Metall, the largest union, and OetV, a public-service union, said they were sticking to wage demands of 6.5 percent and 5.5 percent, respectively.

• The DAI institute said the proportion of German individuals holding shares climbed to more than 7 percent of the population in 1998, or 4.5 million people, from 6.2 percent in 1997, apparently signaling that private investors had not been significantly deterred by turmoil in the world's markets.

• LVMH Moët Hennessy Louis Vuitton SA, the world's largest luxury-goods company, said its new investment fund had bought Cie. Financière Lafacière, which in turn is seeking to buy out La Brosse & Dupont SA, France's largest maker of toothbrushes and other hygienic goods.

• Carrefour SA, the French retailer, will accept payments in euros by bank card or check starting next week.

• Philips Electronics NV, Europe's biggest consumer electronics maker, is selling a minority stake in Navigation Technologies Inc. to investors, a step toward a stock offering for the unit. The unit develops digital map databases for use in navigation systems in cars.

• Russia's imports have fallen about 25 percent from a year earlier since the plunge in the ruble in August cut buying power and paralyzed payments in the nation's banks, according to customs officials. Imports in September were down 41 percent from the previous month, they added.

• Attica Enterprises, a Greek ferry operator, acquired a majority of the Greek airline Cronos Airlines. Analysts said the move showed the company's determination to seek growth beyond Adriatic Sea routes.

• Turkey's central bank governor, Gazi Erceci, said the country would sign a \$15 billion standby-by accord with the International Monetary Fund once a new government had been established in Ankara, the Milliyet newspaper reported. The IMF signaled its willingness to work toward such an accord last week, he said.

• Volvo AB of Sweden denied it had told newspapers it recently held talks with Ford Motor Co. about being acquired by that company.

(Bloomberg, Reuters)



RUBLE STILL SPIRALING DOWNWARD — A woman begging in Moscow on Monday as Russia's economic crisis worsened, with the ruble slumping by 7 percent to a record low of 20.99 to the dollar. The ruble was trading at 6.3 to the dollar in August.

Sweden's Prosolia Software Firm Files for Bankruptcy

Bloomberg Business News

STOCKHOLM — Prosolia AB, a Swedish software company, said Monday it had filed for bankruptcy, only days after Industifonden, its largest investor, said it would not pour any more cash into it.

Prosolia shares, which were the Stockholm general index's second-best performer in the second half of last year, closed Monday at 1.16 kronor (14 cents), after trading as low as 0.30 krona.

The stock climbed as high as 384 kronor in March. The shares were

suspended from trading Tuesday, when Industifonden made its announcement, with the price at 9 kronor. Trading resumed Monday.

Industifonden, an unlisted investment company, acknowledged that it had failed to return Prosolia to profitability after clients balked at buying its interactive simulation products used in such things as auto design. Prosolia had had liquidity problems since April amid media reports that it had overstated 1997 earnings.

The board "hasn't been able to

identify an alternative owner," said Prosolia. "Partial sales, such as the sale or closure of units, aren't enough to continue operations."

Prosolia slumped to a loss in the first nine months as it slashed the value of its assets and sales slid, prompting the company to take more charges in the fourth quarter.

Last month, the Gothenburg-based company agreed to sell its Prosolia Systems AB unit, which last year accounted for one-fifth of its sales, to Asea Brown Boveri Ltd. to try to raise cash and improve profitability,

but the transaction was delayed. The company was already cutting 200 jobs, or 43 percent of its work force, and was planning to raise as much as 250 million kronor to cover restructuring costs.

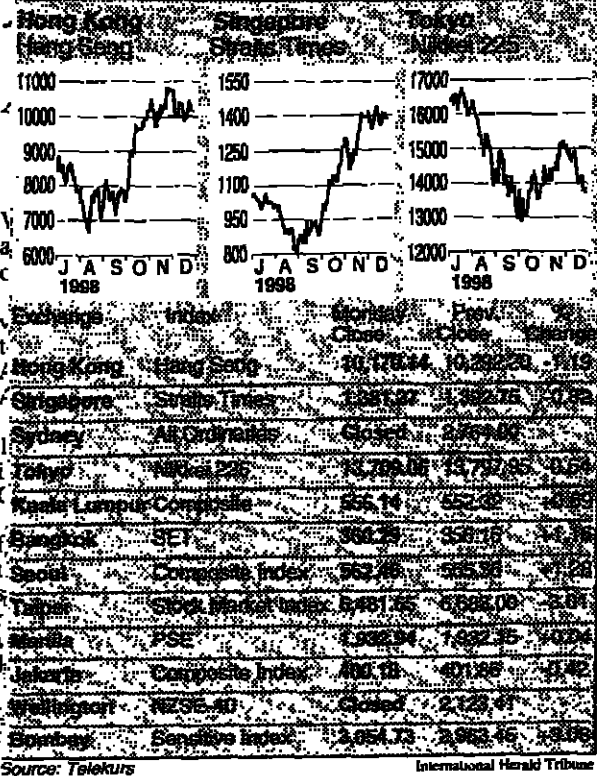
This month, the stock exchange fined the company for failing to disclose that it had an option to buy shares in IVS, a company jointly owned by Prosolia and Industifonden. The exchange also charged that Prosolia had said IVS was an independently run company, a statement that later proved untrue.

WORLD STOCK MARKETS

Monday, Dec. 28	High	Low	Close	Prev.
Amsterdam	3,500	3,400	3,400	3,400
Brussels	3,500	3,400	3,400	3,400
Frankfurt	3,500	3,400	3,400	3,400
Copenhagen	3,500	3,400	3,400	3,400
Helsinki	3,500	3,400	3,400	3,400
Oslo	3,500	3,400	3,400	3,400
Stockholm	3,500	3,400	3,400	3,400
Vienna	3,500	3,400	3,400	3,400
Zurich	3,500	3,400	3,400	3,400

ASIA/PACIFIC

Investor's Asia



Very briefly:

- Hyundai Motor Co., South Korea's No. 1 automaker, started exporting commercial vehicles to the United States on Monday, the first South Korean car manufacturer to do so. Hyundai plans to export 70,000 trucks, ranging from 2.5 tons to 90 tons, over the next five years, including 6,700 next year.
- Kobe Steel Ltd., Japan's third-largest steelmaker, said it stopped selling hot-rolled steel in the United States in mid-November in response to a threat of anti-dumping duties by Washington. The complaint by U.S. steelmakers, now before the Commerce Department, could lead to tariffs on Japanese steel imports.
- Hong Kong's exports fell 9.3 percent in November from a year earlier as demand slackened in most of the world. Exports in November totaled 113.1 billion Hong Kong dollars (\$14.6 billion), and imports fell 14.4 percent, to 113.8 billion dollars. In October, exports were down 17.5 percent from a year earlier.
- Toyota Motor Corp., Japan's largest automaker, plans to start producing mid-sized vans with its Chinese partner in Sichuan Province by 2002.
- Fuji Bank Ltd., Japan's sixth-largest lender, will ask members of its business group for 217 billion yen (\$1.86 billion) in new investment to replace capital drained by years of writing off bad loans. The bank plans to sell 503.5 million shares to 60 companies in its Fuyo group.

Fujita Corp. Plans to Cut 24% of Jobs

TOKYO — Fujita Corp., a financially troubled Japanese general contractor, said Monday it would cut 1,203 jobs, or 24 percent of its work force, by April 2002 in an effort to return to profitability. Fujita said it was asking creditors, including Sakura Bank Ltd. and Tokai Bank Ltd., to forgive a combined 130 billion yen (\$1.03 billion) of debt. "We need to be able to stand on our own feet and move on," said Keishi Kawamura, a member of Fujita's board of directors. Sakura Bank said it would "positively consider" Fujita's request, although it added that forgiving loans would be "an unusual measure." Fujita is suffering from weak demand and difficulties collecting bad loans provided to real-estate affiliates in the late 1980s, before property prices collapsed and the real-estate market began its seven-year decline.

Also on Monday, Tokyo Construction Co. said it would slash its work force by more than a third by March 2002 and take a charge of 80 billion yen for the year through March 1999. Fujita said it would write off 280 billion yen in bad loans and other losses during the year through March. The company, which initially expected a group net profit of 400 million yen in the period, now sees a net loss of 139 billion yen. Fujita said the other banks from which it had sought debt relief from were Mizuho Trust & Banking Co., Industrial Bank of Japan Ltd., Sumitomo Trust & Banking Co. and Nippon Credit Bank Ltd. Tokai Bank said it was preparing to meet Fujita's request to forgive loans it had extended to the company. Fujita said it would forgive 50 billion yen in loans provided to its affiliate, Towa Real Estate Co. Towa reported a net loss of 4.1 billion yen in the half-year ended Sept. 30. (Bloomberg, Reuters)

Crash Put Malaysian Investor on Road to Profit

KUALA LUMPUR — Tan Chong Koay, 48, owes a lot to a speeding motorcyclist who slammed into him on a Kuala Lumpur street when he was 19. Compensated with an insurance check for 14,000 ringgit (\$3,700), he bought shares in a finance company now called Arus Murni Corp. for less than 2 ringgit each. When the stock gained more than 50 percent in six months, "I made my first small fortune," he said. Since then, Mr. Tan, one of the best-known fund managers here and chief executive of Pheim Asset Management Sdn., has revealed in turning adversity into opportunity. "I need a crash to do well," said Mr. Tan, a founding member of Pheim, which manages 280 million ringgit in Malaysian and Southeast Asian stocks. "The cheaper you buy, the more you outperform." The battered Malaysian stock market, which lost about 600 billion ringgit in value in a year as the country slid into its first recession in 13 years and controls on the movement of capital in and out of the country sent foreign investors fleeing, has provided him ample opportunity. Mr. Tan, like other local investors, is scouring for bombed-out stocks that could rocket out of the slump — a time-tested gambit that has served him well. He is buying up shares in companies involved in gambling, plantations, electronics and other businesses. With foreigners largely steering clear of its market, Malaysia will be looking to the likes of Mr. Tan, a graduate of Western Illinois University, to pull its stock market out of its slump. Since Sept. 1, when the government imposed the capital controls, the benchmark Kuala Lumpur Composite Index has more than doubled, thanks to local buying. In 1996, Mr. Tan loaded up 25 percent of his portfolio with small stocks traded on the notoriously volatile Malaysian second market. The Kuala Lumpur Second Board Index had more than doubled when Mr. Tan sold most of those holdings in March 1997, four months before Thailand devalued its currency, sparking the Asian economic turmoil. The move

earned Mr. Tan a reputation as "King of the Second Board." "He's quite reputable. He has the knack of choosing small stocks, and his timing was good," said Chong Sui San, who helps manage 400 million ringgit at the Pacific Mutual Fund. The Second Board has lost 50.4 percent of its value in the past 12 months. "Timing is very crucial," Mr. Tan said. Mr. Tan likes companies with no debt and minimal foreign-currency borrowings and exporters that benefit from the weak ringgit. He bought shares in Dialog Group Bhd., a construction and engineering group, at an average cost of 3.10 ringgit each in August. The stock has since surged to 11. It is one of the few companies in this industry "that told me it will see growth," he said. Dialog's profit for the year that ended June 30 rose 45 percent, and the company does not have any debt. Mr. Tan "can sense the direction of the market well, and he's very much a contrarian," he can outperform the majority," said Scott Lim, a former employee of Mr. Tan's, who is now a fund manager at CMS-Dresdner Thomson. Mr. Tan, who is a fan of the "value" investing principles of the legendary investor Benjamin Graham — who advocates buying undervalued shares and selling them when they are overvalued — has consistently beaten the market. While Mr. Tan's Malaysian Emerging Companies Growth Fund solidly outperformed the market until the Asian crisis spread, he has not escaped the recession onslaught. Not even his reputation could stop underwriters, led by Arab-Malaysian Merchant Bank Bhd., from pulling out of a 105 million ringgit initial public offering of a closed-end fund, Pheim Emerging Bhd., that Mr. Tan was slated to manage. Then came the capital controls, which bar foreigners from repatriating proceeds of stock sales for one year. For Mr. Tan, that proved a setback as talks with an investor to put money into his fund collapsed. "We are all trained to invest in an expanding economy — now we have to adapt," Mr. Tan said.

POSCO Fires 19 Executives Amid Inquiry

SEOUL — Pohang Iron & Steel Co., the world's second-largest steelmaker, said Monday it had replaced 19 executives in connection with an inquiry into corruption allegations. The move came as the government asked prosecutors to investigate alleged corruption involving the steelmaker's former chairman, Kim Mahn Je, and three current executives, the company, which is known as POSCO, said. "Our immediate reshuffling follows our current chairman Yoo Sang

Boo's management philosophy that allows an authorized person to make a decision and that the decision-maker should take the whole responsibility," the company said. A four-month audit of the company and 12 of its units by the Board of Audit and Inspection produced a host of allegations, including one that the former chairman, Mr. Kim, embezzled 420 million won (\$348,000) during his tenure from 1994 to March 1998. The government audits the company every three years.

The audit board turned up 170 instances of alleged malfeasance at the company since 1992. It ordered POSCO to punish 39 executives who had incurred losses and to improve its contracting methods to enhance transparency, said Lee Sang Hoon, a spokesman for the audit board. The board said that since 1996, POSCO and its affiliates had made contracts based mostly on private negotiations rather than open bidding, resulting in as much as 1.36 trillion won of losses.

China Tightens Rules on Stock Trading

SHANGHAI — After six years of debate, China's Parliament has made "final modifications" to a law aimed at tightening stock-market regulations, the official Shanghai Securities News reported Monday. A subcommittee of the National People's Congress Standing Committee has resolved 15 issues that had been holding up passage and

proposed that the law take effect July 1, the newspaper said. The draft legislation was expected to be approved before the Parliament's current session ended Wednesday. In the final draft, legislators kept in place a hotly debated ban on equity trading ban by state-owned enterprises and banks. "State enterprises and companies controlled by state enterprises can

not trade shares listed on the stock market," the newspaper's summary said. The introduction of such trading would have put state assets at risk, the newspaper said, citing fears that profits and bank loans would be used to gamble on stocks. State-owned companies have large sums of money at their disposal that could be used to manipulate share prices, the newspaper added.

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INTERNATIONAL INVESTING

In 1998, Investors Woke Up to the Five Lessons of Owning Internet Stocks

By Saul Hansell
New York Times Service

NEW YORK — Had a celebrant dozed off last New Year's Eve and not come to until now, he might woefully take a look at the Internet business and conclude that it had been an eventful year.

After all, the leading on-line service is still America Online Inc., the most popular site on the World Wide Web is still Yahoo! and people are still transacting the most electronic commerce through Amazon.com Inc. All these companies are growing rapidly, as on-line use increases, just as they were a year ago.

But what if our Net van Winkle were to groggily dispatch a series of electronic mails to Internet investors and financiers, asking what he had missed? At first, of course, he might be flamed by those incredulous that anyone could sleep through all that ruckus. Internet stocks soared early this year before falling in October, only to pull out and zoom even higher than before. Meanwhile, initial public offerings by Internet companies were exploding into the firmament like fireworks.

For all the bombast, though, a look back at the events over the year indicate that our sleepy celebrant's initial observation might be fairly accurate. In the Internet business, the forces propelling the leading companies like America Online, Yahoo! Inc. and Amazon.com remained the same — even if the pace picked up faster than anyone might have expected. And yet the tumultuous year does seem to yield at least five lessons about the Internet industry and the stocks associated with it.

• The big get bigger, and the small fade away.

At first glance, the Internet seems to favor David over Goliath, because any upstart can open an on-line store or an electronic publication. But it appears that the first capable pip-squeak to shoot a slingshot in any given area may grow to giant size so quickly that any new challengers have been kept at bay.

"Some very powerful franchises have been built on the Internet in an incredibly short time," said Fred Wilson, a principal with Matrix Partners, a New York venture capital firm. "Some of these companies will be the leaders of the economy in the next millennium."

The best example is Amazon.com, which continues to widen the gap between itself and its better-known book-selling competitor, Barnes & Noble Inc. In the third quarter, Amazon.com's first full quarter selling compact disks, it became the leading American on-line music retailer. (It's not an accident that the previous leading on-line music retailer, CDNow Inc., is buying another rival, NZK Inc., to counter the new giant.)

"Being a successful Internet company is not as easy as it might appear," said Derek Brown of the investment bank Wolfe Brown Whelan & Co.

• When investors spot a category leader, there is no limit to what they will pay to own the stock.

The main lesson of 1998, said Keith Benjamin of BancBoston Robertson Stephens, is "just don't fight the tape."

It is fruitless, Mr. Benjamin has concluded, to try to find rational explanations for the astronomical Internet stock prices sliding across the ticker. The fact that, in the stock market, America Online is worth almost as much as Walt Disney Co. and that Yahoo! is more valuable than CBS Corp. is simply not relevant, he said.

"The market opportunity here is big enough that that is what we should be focused on for any given segment," he said, "and competitive position is the most critical factor in judging these stocks."

Such judgment, of course, involves far more forethought than many investors may be applying. Yet, while much of the upward pricing pressure has come from individual investors, increasingly the big boys have started to compete for the relatively small number of shares in circulation for the leading Internet companies, a development that

has pushed prices even higher. "Institutional portfolio managers learned to 'embrace' Internet stocks in the second half for a simple reason," said David Readerman of Nationsbank Montgomery Securities. "The stocks were going up, and their relative performance suffered by not owning enough of them."

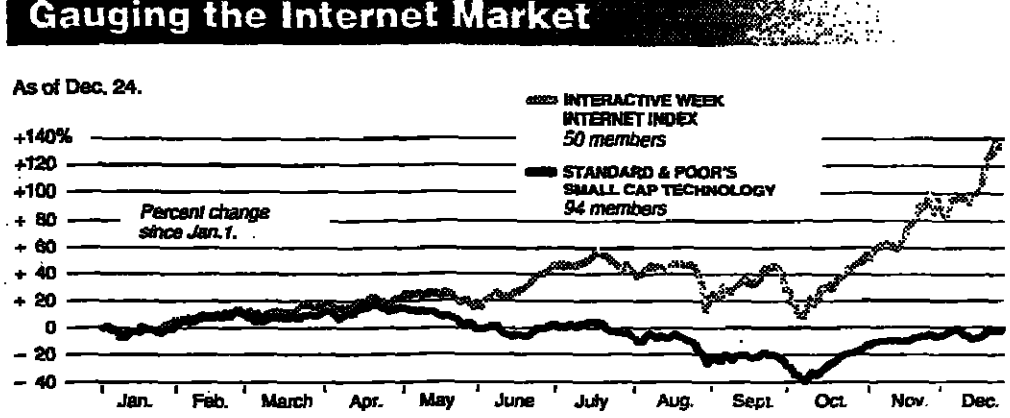
• Everybody wants to be an Internet company. Imagine the frenzy if someone introduced the anti-gravity diet, where no

matter how much you ate, the scale would still register you as weightless.

That is the equivalent of what the stock market has offered to Internet companies, which are not penalized for glutinous spending far in excess of their meager incomes. So it is no surprise that all sorts of other companies, weary of weighing in every quarter with the traditional measure of profit or loss, would want to belly up to this brave new training table.

Witness the lighter-than-air feat of K-

Gauging the Internet Market



1998 Percentage Gainers and Losers

BEST	FRIDAY CLOSE	YEAR-TO-DATE CHANGE	WORST	FRIDAY CLOSE	YEAR-TO-DATE CHANGE
Amazon.com	\$324.813	+878.2%	Vocaltech Comm.	\$11.250	-45.1%
CMGI	121.875	+705.8	Cabletron System	8.063	-46.3
Yahoo!	247.125	+613.7	Cylix	4.250	-56.4
America Online	136.625	+504.1	Pirgin Tech.	7.875	-59.4
Mindspring Enter	65.625	+485.5	Harbinger	7.063	-62.3

Selected 1998 Internet IPOs

BEST	OFFER DATE	CHANGE TO FRIDAY CLOSE	WORST	OFFER DATE	CHANGE TO FRIDAY CLOSE
eBay	9/24	+1,488.9%	Tricom	5/04	-50.5%
Ubid	12/03	+710.9	Genesis Direct	5/07	-59.2
Broadband.com	7/16	+424.3	Asymetrix Learning Systems	6/12	-65.9
Tickmaster	12/02	+357.9	Unus Telecom	5/13	-67.1
Online-CitySearch			USN Communications	2/03	-99.0
TheGlobe.com	11/12	+322.2			

Source: Securities Data Company, Bloomberg Financial Markets

Tel International Inc.'s stock, when the company — best known for hawking music compilations during late-night television broadcasts — announced it was moving onto the Web. K-Tel's stock quadrupled in two weeks, and even now is up 80 percent from its pre-Web days. It was trading at \$12.5625 on Monday.

"The public is in love with the Internet and believes that Internet stocks are the way to play the future," Mr. Wilson said. "But the public is not particularly adept at picking the good ones from the bad ones."

• Investors are very selective in accepting initial public offerings (except when they'll buy anything).

After the sharp drop in Internet stocks in the second half, there was nearly a month without an initial public offering. Finger-wagging financiers warned that it would be very difficult for any but the very best Internet companies to go public.

Then the market devoured offerings from Broadcast.com Inc., the leading Internet audio service, and eBay Inc., a leading Internet flea market.

Suddenly, all sorts of companies were going public that were hardly leaders in anything. One such offering was for Theon, an on-line chat service that has many fewer users than many of its competitors but still saw its shares jump to \$97 from \$9 on the first day of trading in October. It now lingers at \$38.50.

One sign that the death of outrage, much noted in Washington, is equally applicable on Wall Street is that Zapata Corp., a fish oil processor, has just resurrected its much-ridiculed plan to transform itself into an Internet service under the name Zap. Zapata's shares nearly doubled in price Wednesday, when the

company issued a news release announcing its comeback. The shares were trading at \$1.75 lower at \$10.625 late Monday.

• The power is in the portals. Reading his e-mail, Net van Winkle would not know what people mean when they write of "portals." A year ago, services like Yahoo! and Excite were known as search engines, although they had already started to offer other portal services such as news and shopping guides, to keep their vast audience on their sites longer.

This past year, these companies and others doing business as portal sites, along with America Online, were the main beneficiaries of all the money that was pumped into Internet public offerings. How come? Because all of the emerging commerce sites, like eBay, and on-line communities, like GeoCities, spent millions of dollars to buy advertising and other promotions on the popular portal sites.

"It was the Tom Sawyer phenomenon, where all of the neighborhood kids paid Tom Sawyer in order to paint the fence for him," said Michael Parekh of Goldman, Sachs & Co. "One-third to one-half of the money raised by Internet IPOs," he said, "was immediately given to the portals."

So what about next year? Would these lessons become the more evident, after another 52-week nap?

They could. But then again, 1999 might be the year when even some of the Internet giants are toppled. Maybe Walt Disney's new Go Network will steal some of the thunder of Yahoo! Or the upstart Buy.com, which sells books and computer products at a loss to make money on advertising, could surge past Amazon.com.

Or maybe Congress will figure out how to impose sales taxes on Internet purchases, slowing the growth of electronic retailing. With expectations and many Internet stock prices at such giddy heights, it might not take much of a disappointment to set off a major, negative mood swing.

"Valuation is the risk in 1999," said Mr. Readerman, the analyst. "When the stocks stop performing, the herd who rushed in could just as easily reverse course, as everyone tries to get out first."

And that kind of a crash could be a little harder to sleep through.

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EU's Agenda to Grow in 2000 as Euro Brings With It New Set of Priorities

By Barry James
International Herald Tribune

BRUSSELS — The euro has always been the keystone of the edifice envisaged by Jean Monnet, the founding father of the European Union. But as the single currency comes into being on Friday, the EU will have to confront a whole set of new tasks in 1999, including the building of a foreign policy and the community's enlargement toward the east.

The countdown facing leaders in 1999 will be how to complete the European edifice, while preventing it from collapsing under its own weight as up to 11 more nations try to pile into a structure built for six and now holding 15.

The blueprint of how this might be accomplished is a thick dossier of proposals known as Agenda 2000.

Germany, which assumes the rotating

presidency of the EU for six months starting on Friday, will have the task of shepherding the legislation through.

Mr. Monnet and many of the postwar leaders who gathered at his home in the countryside west of Paris in the 1950s to plot the region's future of over brandy and cigars had a more

clear example of this is the European Central Bank, which will take over the monetary policy of 11 countries Friday, depriving them of a considerable part of their economic sovereignty.

As they prepare to adopt the same bank notes and coins, disparate na-

tions will increasingly be drawn into a circle of cooperation and further institution-building, or so the theory goes. The question is whether the EU, which has proved powerless in the face of such conflicts as those in Bosnia and Kosovo, can at last acquire a political weight to match its economic muscle.

In 1999, the EU is expected to name its first high representative for political and security policy. He or she will be responsible for guiding nascent efforts toward the common defense envisaged by the Maastricht treaty on European economic and monetary union.

The complementary Amsterdam treaty, which will come into force after its ratification by national parliaments, provides for the creation of a policy planning and early warning unit, which will work with the high representative, and share the task of plotting long-term

initiatives with the governments.

The Amsterdam treaty will also allow for majority voting under a greater variety of circumstances, making it difficult for a single country to block progress and spawning nations to seek compromises. Elections in June for the European Parliament could strengthen that institution and give the EU more credibility.

During the year, member states will appoint a new executive commission, which will have the task of consolidating the single market in an area containing 370 million inhabitants and 16 million businesses.

There is scope for more action in areas such as transport, tax policy and public procurement. The new commission will also need to get tough on states that have failed to put into effect laws that have already passed — by some estimates, up to 15 percent of single

market legislation on the statute books has not been put into force.

At their summit meeting in Vienna this month, EU government chiefs gave themselves, until a special conference in Brussels in March, to complete the Agenda 2000 negotiations.

The agenda encompasses three interlocking problems, none of which can be solved in isolation from the rest:

• Enlargement to include five new members in Eastern and Central Europe plus Cyprus. Five other Eastern countries are waiting in the wings.

• Reform of the EU's Common Agricultural Policy, which funnels half the EU's \$100 billion budget to a small and constantly diminishing sector of the population, and scaling down of the structural funds — accounting for a third of the budget — designed to help poorer countries catch up with the richer.

• Drawing up of a new budget for the EU between 2000 and 2006.

Forced into austerity mode by the demands of the single currency, no country is challenging the upper limit on EU spending, which stands at 1.27 percent of the union's gross domestic product.

The arguments are entirely concerned with how the pie should be sliced, with Germany at one extreme complaining it pays too much, and Spain at the other extreme defending its turf as the EU's biggest net beneficiary.

Although the positions are far apart, EU officials described the mood at the Vienna summit conference as constructive, giving cause to hope that a solution will be found during the German presidency that will enable the EU to move ahead with enlargement talks when Finland takes over the presidency in the second half of the year.

JOB: Wave of Corporate Consolidations Will Pose Tough Choices

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cern it would diminish German influence. But sovereignty concerns also have inhibited cross-border deals in banking, with Deutsche Bank complaining openly that its aim of acquiring a French bank had been stymied by government opposition in Paris.

Despite all the obstacles, however, the momentum of Europe's merger wave appears almost unstoppable. For one thing, even after a record \$549 billion of mergers and acquisitions in 1998, there is still an enormous amount of restructuring to do in European industry.

"Generally, we're still in the early stages" of Europe's merger boom, said Michael Zaoui, co-head of European mergers and acquisitions at Morgan Stanley Dean Witter, which advised on more European mergers and acquisitions than any other investment bank in 1998, including British Petroleum Co.'s purchase of Amoco Corp. and the Belgian-Dutch financial concern Fortis's purchase of Generale de Banque SA of Belgium.

"Most of the true consolidation has happened at a national level so far. We have to move to the next phase of consolidating across borders."

Stock-market analysts, for example, no longer look at companies on the basis of their country but by industrial sector, directly comparing French and German automakers and British and Spanish banks. As a result, Mr. Zaoui said, "corporations will be inclined to do transactions to respond to this new situation." The euro, the common European currency that already has influenced the growth of mergers, will have an even more powerful effect after it is formally introduced at the end of this week. This arrival of a single cur-

rency for 11 countries is forcing companies to think about their futures in pan-European terms and beyond.

"The common currency is going to be a driver for people to do deals for defensive reasons," said Justin Dowley, co-head of European mergers and acquisitions at Merrill Lynch & Co. "The globalization of most industries is making some people feel quite small."

Takeover speculation drove up the share prices of Volvo AB and Bayerische Motoren Werke AG just before Christmas, illustrating that even some of the top names in Europe's automobile industry appear vulnerable now that Daimler-Benz's takeover of Chrysler has set a new standard for the global car industry.

The euro also appears to be having an impact on investor attitudes that heralds a truly pan-European market for stocks and bonds.

Mr. Meltzer of Credit Suisse First Boston said the most significant development of 1998 was the ability of several companies to persuade shareholders in another country to accept their stock in a merger, a key feature in deals such as the \$34 billion combination of the drug companies Astra AB of Sweden and Zeneca Group PLC of Britain. Previously, most deals in Europe have been in cash, a factor that has tended to limit merger activity to the biggest and richest companies.

"The fact that we are seeing these kind of transactions means we are going to see a growth of M&A activity in 1999," Mr. Meltzer said.

For the most part, bankers expect mergers to continue at a high level in industries such as pharmaceuticals, banking and other financial services, telecommunications, energy and utilities. The new year also is expected to see

the start of a major consolidation of Europe's aerospace and defense industries. And recent deals between Sieb and BTR PLC in Britain, VIAG AG and Alustisse Lanza Group on the Continent and the speculation about automaker mergers suggests a surge in consolidation among basic manufacturers.

Regionally, bankers predict a surge of activity in France and Italy as corporate restructuring shifts from the privatization of state-owned companies to the shifting of assets or regroupings via mergers and acquisitions. German companies also are expected to remain active, inspired by the bold moves of DaimlerChrysler and Deutsche Bank.

But all this activity will challenge Europe's goal of lowering unemployment. The Kiel Institute, for example, says that German wages will rise by 3.5 percent to 4 percent in 1999, far ahead of an estimated 1 percent inflation rate, as unions seek to take advantage of the recent fall in unemployment and the government sees wage increases as central to sustaining growth.

The jobs issue already is paramount in the minds of corporate executives and their investment-banking advisers. Mr. Zaoui of Morgan Stanley Dean Witter said, "In most transactions we do, the social component is very important, and carefully scrutinized." In contrast to the United States, where some merger partners positively vaunt their job-reduction plans, Mr. Zaoui said, "I've never seen a transaction in which a chief executive has said, 'We need to do a deal so we can lay off 10,000 people.'"

The result is that restructuring can take more time to achieve in Europe than in the United States, Mr. Zaoui said. But that isn't stopping merger deals from being made, he added.

EUROPE: The Left's Challenge

Continued from Page 1

chief economist at Independent Strategy in London, "is that many of the new-left leaders in Europe feel they cannot leave it purely to market forces to lift Europe into a new stage of growth and create jobs."

Mr. McKee pointed out that many leftist European politicians had been elected "on a manifesto that they will get Europe back to work." Yet, he said, "they bristle at deregulating the labor market and letting market forces bring about employment generation."

J. Paul Horne, a senior economist at Salomon Smith Barney in London, painted a bleak picture of Europe's economic prospects for next year, saying, "I think the thrust of the change in policy direction in Europe is really backwards. I know the leaders want to create jobs, but the approach they are taking is wrong: it is a return to state interventionism."

Mr. Horne said he feared that in Germany, Mr. Lafontaine's policies — especially eliminating tax loopholes for the corporate sector, favoring large wage increases for workers at a time of low inflation and restoring welfare cuts made by the government of Mr. Kohl — would prove to be "a sure way of putting a halt to job creation."

Even Fred Bergsten, a top U.S. economist who has been advising the German government, said it "is still groping, is inexperienced and has big internal divisions about economic policy."

Mr. Bergsten said Mr. Lafontaine would not succeed in lifting growth or creating jobs if he "puts all his attention on the stimulus side." Instead, Bonn, along with other European governments, needs "a more balanced approach that makes the labor market more flexible."

This more pragmatic approach, many economists say, has been adopted by Mr. Strauss-Kahn. "Let us hope that the Strauss-Kahn approach will radiate out as the German government matures," Mr. Bergsten said.

Mr. Strauss-Kahn, in the interview, made clear that he was no ideologue. "The modern European left," he said, "treats markets as essential institutions." Europe, Mr. Strauss-Kahn said, "has changed." He pointed out that in the battle against unemployment, the "old left" believed in pouring cash into the economy to spur job creation through growth, while conservatives focused on structural reforms such as making hiring and firing easier.

The new left, he said, has made reducing unemployment "a top priority" and "emphasizes a two-handed strategy combining a growth-friendly macroeconomic environment and reforms of the product and capital markets."

Despite Mr. Strauss-Kahn's good intentions, however, the jobs crisis can be expected to be a dominant political and economic theme throughout 1999.

Unemployment may dip slightly in the opening months of next year, but it will rise again or remain high by the end of next year, according to many private-sector economists.

The gap between political rhetoric and economic reality could widen further next year. "If the drive for a more social Europe means a failure to carry through real structural reforms," Mr. Mayer of Goldman Sachs said, "then we could face more than just high unemployment. We could face a political and social backlash over the next two or three years."

COMPUTE: The Post-PC Debate Is On

Continued from Page 1

The forerunners are digital cell phones, such as the Nokia 6000-series phones and the Qualcomm PDQ, and hand-held devices, such as the Palm Pilot and the Motorola Pagerwriter.

If these diverse digital gadgets are an indication, the information appliance market will likely resemble the consumer electronics business, with a flood of different products in every shape and description — a world apart from the beige-box monotony of the personal computer industry.

The post-PC enthusiasts see a future when everything from a household's car to its coffee maker has its own embedded microchips, ready to receive remote instruction. From work, a person could tap into the Internet to, say, program the videocassette recorder and defrost food. "We're at the beginning of a new age where we will have an explosion of embedded and personal devices," said William Joy, a founder of Sun Microsystems Inc., where he is vice president for research.

Paul Horn, a senior vice president for research at International Business Machines Corp., is another adherent to post-PC doctrine.

"The trend is pretty clear toward a proliferation of different computing devices at the individual level being fed specialized information from powerful networks," he said.

But opponents of such thinking — most notably Microsoft and Intel — deride the post-PC concept as an amalgam of half-truths expounded by the losers in the personal computer revolution.

The PC, the industry incumbents concede, must become smaller, cheaper and easier to use. There is a shift under way, they also say, toward more of the technology and software development being focused not on the desktop but on network hub, or server, computers.

Yet all of that, they argue, can and will be embraced by the evolving personal computer industry, which has the capacity to expand both upward to take over industrial-strength corporate computing chores once handled by mainframe computers, and downward into the market for hand-held devices.

"It's not the post-PC era," said Craig Mundie, senior vice president for consumer strategy at Microsoft. "We're entering the PC-plus era."

There will be a place for non-PC appliances, Mr. Mundie allowed, but they will be "complementary to the evolving personal computer" — anchored to the machine, not divorced from it.

What the post-PC revolutionaries underestimate, the industry incumbents say, is the pull of the 250 million people who use personal computers and represent the infrastructure of modern computing.

"When you have hundreds of millions of users, change is evolutionary," Mr. Grove of Intel said. "Computers will become smaller, cheaper and more mobile. But they will be mostly full-function personal computers because people are going to want their same data in a form they are familiar with for years and years to come."

No one argues that the personal computer will go away. Indeed, personal computer shipments worldwide will rise nearly 13 percent annually through 2002, according to an estimate by International Data Corp., a research firm. What the post-PC faithful foresee, though, is a shift away from the personal computer as the dominant computing

technology. They can point to projections from International Data that by 2005 more information appliances linked to the Internet — including television set-top boxes, screen phones and hand-held computers — will be sold than personal computers.

Information appliances, notes Steven Millwright, a managing director of Merrill Lynch & Co., represent a break in the evolution of the computer industry because they are specialized devices — designed to perform one or two tasks well — instead of the general-purpose computers that both mainframes and personal computers have been.

All of these new appliances will have digital technology in common, but they will be tailored for dozens and dozens of special-purpose niche markets, catering to different needs and users. It will be a more diverse business, far less susceptible to being dominated by a few leading technology vendors, as Microsoft and Intel rule the personal computer industry.

The emerging information-appliance industry has attracted the consumer-electronics giants. Sony Corp., for example, is working to develop a class of devices adapted for what Mario Tokoro, head of the company's Information Technology Laboratories, calls the coming era of "intimate computing."

"The PC was created in the image of the monolithic mainframe of long ago," said Mr. Tokoro, who is a computer scientist. In contrast, Sony expects the information appliance market to produce the Internet's answer to its Walkman products — an opportunity for innovative new devices not available in the mature personal computer industry.

Within IBM, the post-PC world is called "pervasive computing." After a yearlong internal study, IBM has set up a pervasive computing unit to make sure the company's various businesses are attuned to this emerging market.

"We concluded this is going to be a big deal and it's going to change the industry," said Mark Bregman, general manager for the pervasive computing unit.

IBM maintains that change can come without rapid arrival of high-speed data networks that can deliver movie-quality video and audio to information appliances anywhere — the obstacle that opponents of the post-PC concept say will forestall any major changes. Mr. Bregman says the near-term benefits will be conveniences like calling a toll-free telephone number while on vacation and leaving voice-mail instructions so that several specific electronic mail messages you are expecting will be forwarded to you for reading on the display screen of your cell phone.

According to the post-PC doctrine, the obstacle that prevents personal computers from being used by more than some 40 percent of American households is not their cost, which keeps dropping, but their complexity. One of the intellectual leaders of the post-PC movement is Donald Norman, a former researcher at Apple Computer Inc. and Hewlett-Packard Co. whose new book "The Invisible Computer" proclaims, "The Achilles' heel of the modern PC is its difficulty."

The personal computer, Mr. Norman says, is the Swiss Army knife of modern technology. "While it can fill an amazing variety of needs, it isn't particularly good at any one of them," he writes. The author's conclusion: "Information appliances are the solution."

FILM: DreamWorks' Moses Movie: No Sea of Red Ink, but Megahit?

Continued from Page 9

berg, the record-industry magnate David Geffen and the filmmaker Steven Spielberg. In early October, DreamWorks released "Antz," a computer-animated movie similar in look and theme to "A Bug's Life," but like "Prince of Egypt" aimed at a slightly older audience.

"Antz," which cost an estimated \$42 million and at the time of its release had the animation field to itself, long ago became profitable.

But for DreamWorks, there is perhaps much more riding on "Prince of Egypt," a film aimed at Disney's forte — hand-drawn animation. The effort devoted to making and marketing the movie indicates that Mr. Katzenberg's motivations in building an animation division are based on much more than an ego battle with Mr. Eisner.

"Animation is the source of money that will make DreamWorks work," an executive at a rival studio said in an interview this year.

That is because the profit margins for animated films are generally much higher than for live-action movies. Not only do animated films often generate sales of related products, but they do not depend on costly stars who take either a big share of the upfront money or a percentage of the box office — or both.

The absence of stars also means that the budgets for sequels are not burdened by the demands of ambitious actors in search of ever-higher payouts.

As Mr. Katzenberg well knows, it is a business model that his former employer, Disney, has pursued long and profitably.

David Londoner, a media analyst at Schroder & Co., explained the math this way: "If Disney invests \$10 in a live-action film, they are lucky if they can return \$12 or \$13 that they can keep. For an animated film, they expect to keep at least \$25 on a \$10 investment. In both cases, the return includes profits from soundtracks, videocassettes and merchandising."

In the case of animated films aimed at children, of course, merchandising often means tie-ins with retailers who are eager to turn a movie's expected popularity into an occasion to sell more of their own products.

The Burger King unit of Diageo PLC, for example, has spent an estimated \$25 million to promote "Rugrats." McDonald's Corp. had a similar promotion for "A Bug's Life," which one Disney executive said was worth about \$30 million in advertising.


But DreamWorks did not forge any Mc Moses Fun Meal-type links for "The Prince of Egypt." The sole merchandising tie-in is a deal with Wal-Mart

Stores Inc., which is selling copies of the film's soundtrack that include two coupons redeemable for a movie ticket.

Terry Press, the DreamWorks marketing chief, said the studio had been tweaking its advertising strategy to bring in more families and children after an opening weekend in which 49 percent of those attending "The Prince of Egypt" were adults not accompanied by children. "I have shifted things to be more family-targeted, because we already bring in the adults," she said.

During the opening weekend, for example, newspaper ads for the movie evoked a museum poster — an iconic silhouette of the Moses character, inset with a far-off view of the Great Pyramids. This past weekend, the movie ads evoked a superheroes cartoon, depicting a chariot race between a youthful, bare-chested Moses and the youthful, bare-chested Pharaoh-in-waiting.

Ms. Press disputed industry estimates that DreamWorks had spent \$50 million promoting the film, saying the true figure was closer to \$30 million. She said the discrepancy was due to the fact that most industry analysts are in either New York or Los Angeles and tend — incorrectly, she argued — to extrapolate estimated expenditures in those cities to the rest of the country. "We spend more in those markets because we are trying to impress the industry," she said.



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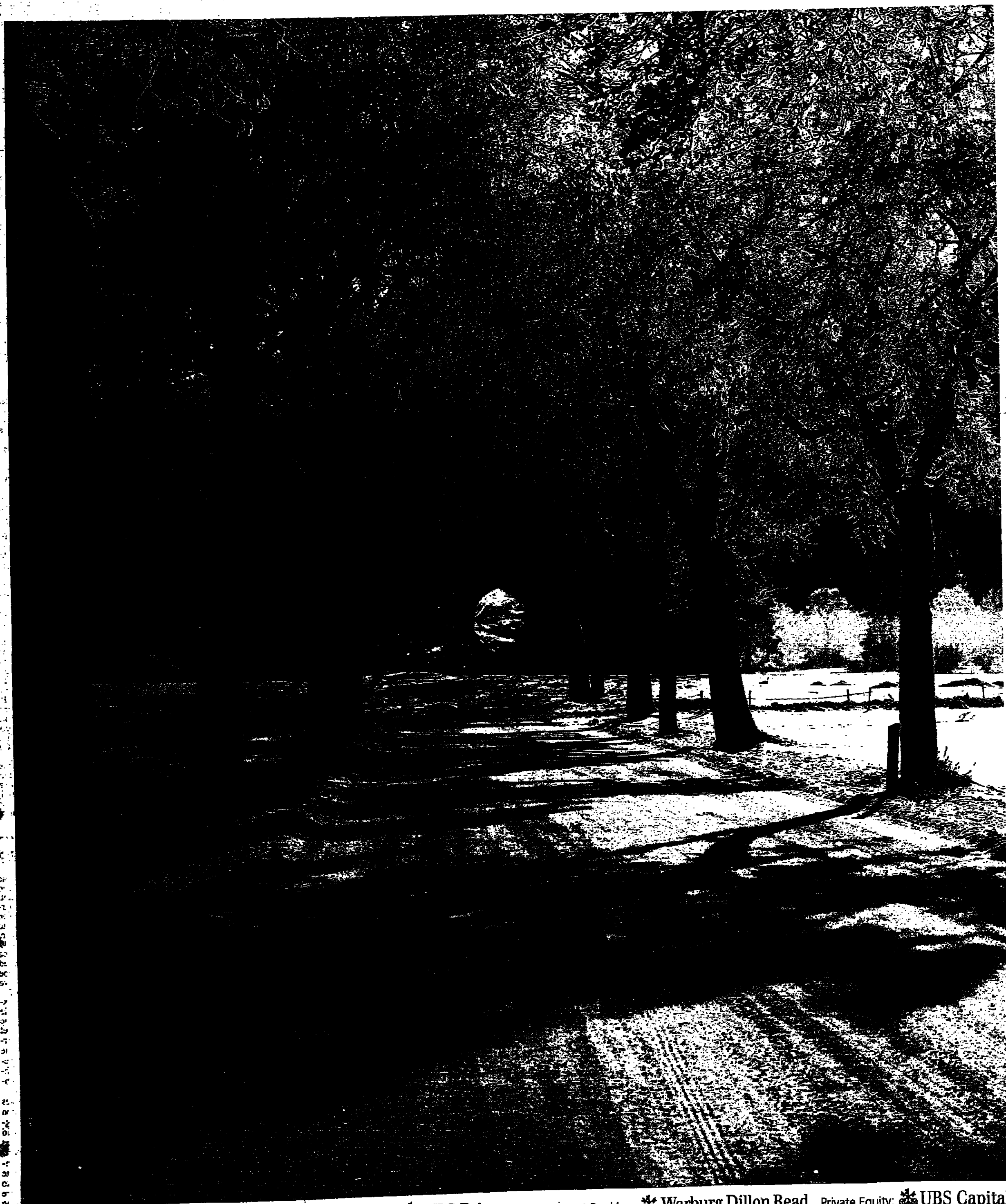
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NASDAQ

Monday's 4 P.M.
The 1,000 most traded National Market securities
in terms of dollar volume, updated twice a year.
The Associated Press.

Symbol	Price	Change
IBM	100 1/4	+1/4
Microsoft	40 1/4	+1/4
Oracle	28 1/4	+1/4
Novell	24 1/4	+1/4
Lotus	22 1/4	+1/4
McAfee	20 1/4	+1/4
VeriSign	18 1/4	+1/4
Comcast	16 1/4	+1/4
Earthlink	14 1/4	+1/4
NetScout	12 1/4	+1/4

Symbol	Price	Change
Amazon	10 1/4	+1/4
WebTV	8 1/4	+1/4
Excite	6 1/4	+1/4
Hotmail	4 1/4	+1/4
MSN	3 1/4	+1/4
Comcast	2 1/4	+1/4
Earthlink	1 1/4	+1/4
NetScout	1 1/4	+1/4
VeriSign	1 1/4	+1/4
McAfee	1 1/4	+1/4

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Yahoo	10 1/4	+1/4
Excite	8 1/4	+1/4
Hotmail	6 1/4	+1/4
MSN	4 1/4	+1/4
Comcast	3 1/4	+1/4
Earthlink	2 1/4	+1/4
NetScout	1 1/4	+1/4
VeriSign	1 1/4	+1/4
McAfee	1 1/4	+1/4
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McAfee	1 1/4	+1/4
Amazon	1 1/4	+1/4

NYSE
Monday's 4 P.M. Close
(Continued)

Symbol	Price	Change
IBM	100 1/4	+1/4
Microsoft	40 1/4	+1/4
Oracle	28 1/4	+1/4
Novell	24 1/4	+1/4
Lotus	22 1/4	+1/4
McAfee	20 1/4	+1/4
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NetScout	1 1/4	+1/4
VeriSign	1 1/4	+1/4
McAfee	1 1/4	+1/4
Amazon	1 1/4	+1/4

SPORTS

Gale Kills 2 in Australia Race

Other Yachtsmen Feared Drowned, but Sydney-Hobart Event Goes On

SYDNEY — Gale-force winds and high seas battered dozens of yachts in the Sydney-Hobart race Monday. At least two sailors were killed as boats capsized or sank, and rescue helicopters hoisted 50 others to safety.

Four more sailors were missing and at least one was presumed drowned. Rescue boats battled winds of 90 miles (145 kilometers) per hour and 35-foot (10-meter) waves to try to reach other competitors.

Five-story masts snapped like toothpicks, and swamped boats wallowed in roiling seas Monday off the southern Australian coast, about 400 kilometers south of Sydney. Emergency flares sent streams of red smoke into the air to help helicopters find the orange life rafts in the storm.

The 1,160-kilometer race continued despite the worst toll in its 54-year history. Of the 115 yachts that entered, 59 have been forced to seek shelter and several boats have been abandoned, race officials said.

Some 27 navy ships searched Australia's southeast coast for stranded sailors after the calls of "Mayday! Mayday! Mayday!" came over the radio.

Two Australian sailors were killed when the 40-foot boat *Business Post* Naiaid capsized 60 miles off the New South Wales town of Merimbula. The drowned men were Bruce Guy, the

yacht's owner and skipper, and Phil Skeggs, a first-time race participant.

Guy suffered an apparent heart attack during one of the boat's two rollovers. And Skeggs drowned when he was unable to free himself from his safety harness.

"Dad loved sailing," said Guy's son, Mark. "He loved the competition. He also loved a beer and a talk after the race. Dad simply loved life."

Glyn Charles, a British sailor, was washed off the *Sword of Orion* yacht Sunday night and presumed drowned.

Robin Pokes, a spokesman for the Australian Maritime Safety Authority, said it was unlikely that Charles, 33, could survive more than 24 hours in the wild seas.

"He will be a superhero if he makes it," Pokes said.

Six crew members from the yacht *Winston Churchill* were plucked from two life rafts late Monday night, but three others were missing.

"We are unsure about what has happened to the other three; it appears they were washed out of the life raft," a spokesman for the maritime authority said.

David Gray, a maritime spokesman, said many sailors had suffered injuries. "There's just many, many injuries on those yachts that got knocked down," Gray said.

"A lot of them rolled over — one

rolled over twice," he said. "They really got pounded yesterday."

Richard Winning, the skipper of the *Winston Churchill*, who was rescued off one of the life rafts, told of a frantic struggle to stay alive.

"After we got into the life raft and became separated from the others, the damned thing capsized twice on these great seas at night, which is bloody frightening, let me tell you," he said.

"You have got four of us underneath this little canopy, and the next thing is you are upside down. I wouldn't want to have spent another night out there."

John Campbell, an American sailor who was rescued by a police helicopter after being swept overboard when his yacht rolled over, got hypothermia after being in cold water for about 40 minutes. A senior constable, Barry Barclay, had dropped into large swells from a helicopter to rescue him.

"I was definitely worried," Campbell said. "There was a point I didn't think I was going to survive."

In spite of the storm, the race continued. Sayonara, the American maxi yacht that won the race in 1996, was narrowly ahead of the winner of the race last year, *Brindabella*, and was expected to cross the finish line Tuesday.

The first recorded death in the race, which started in 1945, was in 1984 when a 72-year-old yachtsman was washed overboard and presumed drowned.



David Ginola, Tottenham's French star, moving past Everton's Richard Dunne, right, and Don Hutchinson.

Aston Villa Is Back on Top in England

LONDON — Aston Villa returned to the top of the English Premier League Monday by beating lowly Sheffield Wednesday, 2-1, with a headed goal by defender Ugo Ehiogu five minutes from the end.

Gareth Southgate, another defender, had given Villa the lead after seven minutes. Benito Carbone leveled a minute later for Wednesday, which lost the defender Dejan Stefanovic, who was ejected in the 21st minute.

Chelsea, which started the day as leader, hosts fourth-place Manchester

United on Tuesday evening.

Arsenal, the champion, moved up to third with a 1-0 victory against its struggling London rival Charlton. Marc Overmars scored the goal with a penalty kick. Arsenal lost Dennis Bergkamp and Nigel Winterburn through injury and Patrick Vieira was sent off for lashing out at Neal Redfern.

Michael Owen and Karlheinz Riedle each scored twice as Liverpool came back from two goals down to beat Newcastle, 4-2. Nolberto Salano, an midfielder, put Newcastle ahead in the 29th

minute. Newcastle midfielder, Dieter Hamann, was sent off a minute later, but Andreas Andersson, a forward, doubled Newcastle's lead after 56 minutes.

Owen started the comeback with a goal in the 67th minute. Riedle leveled three minutes later. Owen put Liverpool ahead in the 80th minute, taking his tally for the season to 15. Riedle completed the scoring in the 84th minute.

There was another burst of late goals in North London, where Chris Armstrong scored three times in 18 minutes as Tottenham crushed visiting Everton, 4-1.

4 Inquiries Look Into Salt Lake City Bid

By Amy Shipley
Washington Post Staff Writer

WASHINGTON — Four separate investigations are underway into how Salt Lake City obtained the 2002 Winter Games. The allegations against the bid committee include awarding thousands of dollars in scholarships to relatives of six members of the International Olympic Committee who voted on the bid, as well as providing free medical service to three other members and giving gifts such as rifles worth more than \$1,000 apiece.

Anita DeFranz, one of four vice-presidents who serve under the IOC president, Juan Antonio Samaranch, was asked if the IOC would consider reprimanding Salt Lake City organizers should the allegations prove true. Her response was her own question:

"Do we reprimand them and all the other cities?" she said.

"Salt Lake City had the records" of its conduct, she continued. "Other cities seem to have destroyed the records. I wonder why?"

DeFranz said Dick Ponak, a fellow IOC vice president, said the IOC would prefer to punish unscrupulous IOC members and tighten its bidding procedures rather than punish Salt Lake City.

Even an IOC executive board member Marc Hodler, who unleashed the scandal by characterizing Salt Lake City bid committee officials gave to IOC members' relatives seven years ago as "bribe," said Salt Lake City was not to blame. The organizers were victimized, Hodler said, by a small group of unethical IOC members who were willing to sell their votes.

"The IOC's 115 members are unpaid volunteers representing all the countries in the Olympic movement."

The executive board has promised not to strip the 2002 Games from Salt

Lake City or demand resignations from any member of the Salt Lake Organizing Committee, which is somewhat different in makeup than the bid committee that ceased to exist in 1995.

The IOC, which created a special committee to examine the actions of its members, is conducting just one of four investigations into the matter. The U.S. Justice Department is trying to determine if any of Salt Lake City's actions constituted violations of federal fraud, tax or public corruption statutes.

The U.S. Olympic Committee appointed George Mitchell, the former Senate majority leader, to head its inquiry, which will study the Salt Lake City bid committee's actions and provide guidance and direction for the future.

An independent ethics panel in Salt Lake City will review possible improprieties made by local committee members that may have occurred during the bidding process. The ethics panel would make recommendations for further action if individuals acted improperly.

The IOC inquiry is scheduled to end by Jan. 23. The USOC and independent ethics commission have said their investigations would conclude in February. The Justice Department inquiry will most likely take several months.

Frank Joltik, the SLOC president, and Dave Johnson, the SLOC senior vice president, who both had significant roles on the bid committee, will be questioned about their participation in the bid process.

Robert Helmick, the former president of the USOC who in 1991 became the only IOC member to resign because of ethical violations, involving legal and consulting fees he received from Olympic-related clients, said a small bloc of IOC members had been willing to sell its votes for such gifts as fur coats.

"It's people without a constituency dealing with a lot of money, without the

checks and balances," Helmick said. "That leads to corruption."

DeFranz said the IOC must contend with the "few" members who "mean our Olympic movement."

Ponak added: "I do not like the thought that people are looking at me sideways once they learn I am a member of the IOC, wondering if I am some sort of crook. Because of the actions of a few bad apples, everybody is being tainted. We don't like that at all."

Though IOC members are required to decline gifts that exceed \$150 in value, they have been free to accept first-class plane tickets, long stays in luxury hotels and dinners at expensive restaurants from cities trying for the Olympics.

Last week, Samaranch told a Swiss newspaper that IOC members would not be allowed to visit bidding cities.

"There are many ways to change it and to adjust it," DeFranz said. "I'm absolutely confident the IOC will act to do that, even for the selection of the 2006 city."

DeFranz suggested that IOC members found guilty of wrongdoing would be asked to resign immediately.

Call to Scrap Olympic Games

Australia's former sports minister has called on the IOC to scrap the Olympic Games after 2004 because their credibility had been badly damaged by the bribery scandal, Reuters reported from Sydney.

Andrew Thompson, the son of golfer Peter Thompson, said the Olympics should be replaced by another global sporting event organized by a different group of people.

He said he did not think IOC members, "appointed for life, silly as that obviously is, that they can redeem themselves. What better than to say Athens, Olympic history and all that, why not make 2004 the last?"

SCOREBOARD

ICE HOCKEY									
NHL Standings									
EASTERN CONFERENCE									
ATLANTIC DIVISION									
	W	L	T	Pts	GF	GA			
New Jersey Devils	16	9	4	40	91	73			
Philadelphia Flyers	14	10	7	35	85	84			
N.Y. Rangers	12	14	7	31	79	70			
N.Y. Islanders	12	19	2	28	86	98			
NORTHEAST DIVISION									
Buffalo Sabres	19	6	5	43	87	51			
Toronto Maple Leafs	19	13	2	40	107	97			
Boston Bruins	15	11	6	36	85	67			
Montreal Canadiens	15	13	3	33	76	74			
Florida Panthers	9	18	7	25	73	76			
SOUTHEAST DIVISION									
Carolina Hurricanes	16	14	5	37	89	84			
Florida Panthers	12	12	6	30	76	81			
Washington Capitals	10	18	3	23	65	81			
Tampa Bay Lightning	8	23	19	19	69	119			
WESTERN CONFERENCE									
CENTRAL DIVISION									
Detroit Red Wings	17	15	1	35	102	91			
St. Louis Blues	12	11	6	32	81	79			
Nashville Predators	12	16	3	29	78	97			
Chicago Blackhawks	10	20	4	24	77	113			
PACIFIC DIVISION									
Colorado Avalanche	15	16	3	33	79	84			
Edmonton Oilers	15	16	3	33	94	89			
Vancouver Canucks	12	17	4	28	78	97			
Calgary Flames	12	19	3	27	93	102			
NORTHWEST DIVISION									
Dallas Stars	21	6	4	48	98	65			
Phoenix Coyotes	20	4	4	44	89	56			
Anaheim Ducks	12	17	3	28	73	73			
San Jose Sharks	10	15	7	27	74	74			
Los Angeles Kings	10	21	3	23	74	93			
SUNDAY RESULTS									
Vancouver Canucks	0	0	0	0	0	0			
Edmonton Oilers	8	2	1	3	1	3			
1st Period: None, Penalties—Sergei, Vot (roughing); McAllister, Vot, major (fighting); Buchberger, Edm, major (fighting); McCrory, Edm (roughing); McLeod, Vot (roughing); Schacht, Vot (holding); Hedman, Vot (interference); Murk, Edm (roughing); 2d Period: E. Pot 3 (McAllister, Marchion) (pp), 2, E-Follows 9 (Murphy, Horvath); Penalties—Brosnan, Vot (roughing); Brosnan, Vot, major (fighting); Buchberger, Edm, major (fighting); Marchion, Edm (interference); Marchion, Vot (roughing); 3d Period: E-Buchberger 4 (Lindgren, Nielsen) (sh-out), Penalties—Korenko, K.									
FOOTBALL									
NFL STANDINGS									
AMERICAN CONFERENCE									
AFC EAST									
	W	L	T	Pct.	PP	PA			
N.Y. Jets	12	4	2	.750	414	245			
Buffalo Bills	10	6	2	.625	321	265			
N.Y. Giants	10	6	2	.625	400	333			
N.Y. England Patriots	9	7	0	.563	337	329			
Cincinnati Bengals	3	13	0	.188	310	444			
AFC CENTRAL									
Jacksonville Jaguars	10	5	0	.667	271	335			
Oakland Raiders	8	8	0	.500	288	356			
Pittsburgh Steelers	7	8	0	.467	266	282			
Baltimore Ravens	4	10	0	.293	269	335			
Cincinnati Bengals	3	13	0	.188	248	423			
AFC WEST									
Denver Broncos	14	2	0	.875	501	309			
San Diego Chargers	10	6	0	.625	328	336			
Kansas City Chiefs	7	9	0	.438	327	343			
San Diego Chargers	6	10	0	.375	319	421			
NATIONAL CONFERENCE									
NFC EAST									
San Francisco 49ers	10	6	0	.625	381	275			
Arizona Cardinals	9	7	0	.563	325	378			
San Francisco 49ers	8	8	0	.500	287	309			
Washington Redskins	6	10	0	.375	319	421			
Philadelphia Eagles	5	13	0	.281	161	344			
NFC CENTRAL									
Minnesota Vikings	15	1	0	.938	556	296			

CRICKET									
AUSTRALIA VS. ENGLAND									
FOURTH TEST, THIRD DAY, MONDAY IN MELBOURNE									
England 270 and 65-2, Australia 140									
NEW ZEALAND VS. INDIA									
SECOND TEST, THIRD DAY, MONDAY IN WELLINGTON									
India 208 and 179-3, New Zealand 322									
SOUTH AFRICA VS. WEST INDIES									
THIRD TEST, THIRD DAY, MONDAY, IN DURBAN									
West Indies 108 and 246-6, South Africa 312									
Bad light ended play.									
BASKETBALL									
U.S. COLLEGE SCORES									
SUNDAY RESULTS									
MEN									
TOP 25									
No. 4 Cincinnati (11-0) def. Dayton 53-51.									
No. 5 Maryland (13-1) def. S. Car. 51-104-7.									
No. 8 Indiana (13-2) lost to Providence 67-62.									
No. 10 Indiana (13-2) def. Drake 102-46.									
WOMEN									
TOP 25									
No. 1 Conn. (9-0) def. Connecticut 117-20.									
No. 9 California (13-1) def. Arizona 90-70.									

DENNIS THE MENACE



JUMBLE

Unscramble these four jumbles, one letter to each square, to reveal the names of four famous people.

OPTIV
YUCU
NINTTE
BLTAR

Answers: VICTOR, CUCU, TINTIN, BLAT

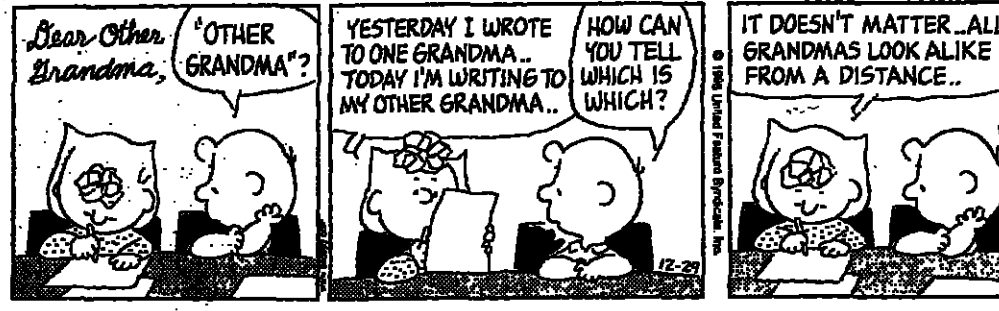
FRIENDSHIPS

Appears every Saturday in The International Herald Tribune.

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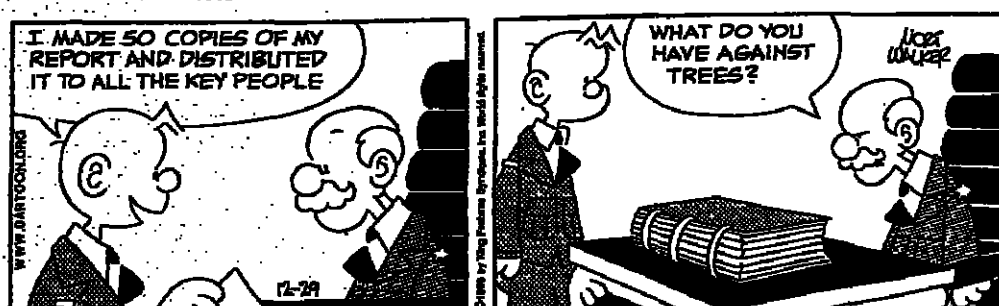
PEANUTS



GARFIELD



BEETLE BAILEY



ART BUCHWALD

Sleaze and Sinners

NEW YORK — I disagree with Time magazine's selection of Bill Clinton and Ken Starr. My choice for Man of the Year was Larry Flynt, publisher of the skin mag Hustler. It was Larry who changed the face of American politics.

He was the one who revealed to the American people that Republicans engaged in the same unforgivable sexual activities as Democrats. He found that elected officials of both parties take their pants off the same way.

How Larry discovered this is an interesting story. He put a full-page advertisement in The Washington Post offering \$1 million to any woman who had had an affair with a member of Congress or someone in government. Once the ad ran he received hundreds of replies. "It looked like rush hour at Grand Central Station," an editor at Hustler told me. "We had to stop after we got the goods on 10 congressmen because we were afraid of running out of money."



Buchwald

Among those caught in the net was Representative Bob Livingston of Louisiana, the soon-to-be speaker of the House, who, while admitting to adultery, maintained that his was different from Clinton's because he didn't lie about it.

Another difference was that after Livingston confessed, he received a standing ovation from his colleagues — which, Republican leaders pointed out, Clinton never received with a similar tale.

Until Flynt's revelations, no one had thought that Republicans sinned. It was believed to be purely a liberal Democratic activity. But now we know adultery is a bipartisan pastime and should not be judged by anyone except those who have never done it or who have done it but still refuse to admit to it.

There are some who say Larry Flynt is too sleazy to be Man of the Year. But anyone who exposes the underside of Washington deserves a crack at the title.

The question Americans must ask: Are we better off today than we were yesterday? If you don't count Monica Lewinsky's dress and Livingston's peccadilloes, we certainly are.

Allegations of Looting Antiquities

BOSTON — The Boston Museum of Fine Arts apparently acquired scores of Greek and Roman antiquities looted from archaeological sites in Italy, the Boston Globe reported.

The newspaper said the museum seemed to have acquired the objects in the 14 years since it says it abandoned dealings in the illicit art market. The Globe said the questionable objects included three valuable Greek vases apparently excavated illegally from 2,300-year-old grave sites in the Apulian region of southern Italy and smuggled out of the country.

The newspaper has been investigating the museum's collections with the help of classical scholars and art experts. It said it found that only 10 of the 71 items in the Greek and Roman collection had any recorded ownership.

The museum declined to comment immediately.

The American Woman Leaves Italy Spellbound

By Alessandra Stanley
New York Times Service

ROME — When Heather Parisi fainted at the end of a dance number on a popular Italian variety show, it was reported on the front pages of Italy's leading newspapers. Wendy Windham, a blonde and buxom sidekick on yet another popular variety show, was mobbed by paparazzi as she went Christmas shopping in the Piazza Navona. Justine Mattera, who does a pale impersonation of Marilyn Monroe on a talk show, is a household name in Italy. So is Randi Ingerman, who recently got her own sitcom, "Men Are All Alike."

Actually, in Italy it is the American women on television who have a lot in common. Like almost every other country in the world except perhaps Burma, Italy imports a large number of U.S. television shows, from sitcoms and soap operas to "E.R."

But Italian television's fondness for Americana goes a bit further than most. Almost every variety show — and there are dozens — features what Italians call a *soubrette*, borrowing an old French term for a nubile maid in a theatrical comedy. On Italian television, the ideal soubrette does not necessarily sing or dance, but she is almost always tall, blonde and Californian, and speaks adorably fractured Italian.

"They don't want me to speak Italian well," Windham said, explaining her job description on "I Cerebelloni," a popular variety show centered around inventors and their gadgets. The other requirements are that she wear sparkling gowns with slits and plunging décolleté, and smile while the host, Giancarlo Magalli — who is plump, balding and a full head shorter than she — leans up at her figure and mocks the way she talks.

American accents are funny to Italians. But Italian audiences also seem to delight in the pairing of tiny balding men with towering blonde women.

"It's Beauty and the Beast — the



Randi Ingerman, center, on the set of "Ciao, Darwin," is among a wave of American stars.

healthy looking American girl."

Ferraro, whose own wife is American, added: "She should be beautiful, blonde and have an obvious handicap, like she can't speak the language. That allows us to be patronizing — this perfect girl needs our help."

Offstage, Windham, 31, a Californian who has lived in Italy for nine years, speaks fluent Italian and sometimes has difficulty recalling English. On television, however, she is not supposed to seem clever.

"They don't want me to talk," she said. "One time we had Australian inventors on the show and instead of letting me interpret, they used instantaneous translators. That made me mad."

But she readily admitted that she has a career and celebrity in Italy

that she could never hope to duplicate at home. So did Carol Alt, 38, a tall, blue-eyed former supermodel who has starred in several Italian miniseries and now, with the help of dubbing, plays a heart specialist on "Under the African Sky," a new television drama.

"I'd like to work at home, for sure," Alt said. "But I am very happy with what has happened for me here." Asked why she and other Americans were so popular in Italy, Alt replied, "I think Italians find foreigners — how do you say? — *affascinante*, exciting and different."

That may well explain the sudden popularity of Lisa Molton, a member of an international chorus of soubrettes on the game show "The Wolf's Mouth."

Audience members select the woman they want to spin the wheel, and Molton is picked so often that each time, the host, Carlo Conti, ritually sighs, "Lisa again?" Molton, 20, a ballet dancer from Massachusetts, arrived in Italy only three months ago and was cast as soon as she opened her mouth and failed to say anything correctly except "pasta."

The balding and bespectacled host enjoys mocking her American accent, echoing the American-accented, Italian-dubbed voice of Stan Laurel in the old Laurel and Hardy movies, which, known as "Stanlio e Ollio," are still popular in Italy. That inside joke is lost on Molton. "They are always imitating the way I say *non capio*," she said. "I think it has something to do with two characters in Italian history."

Paris, 38, a dancer who has performed on Italian TV shows for 20 years, was discovered in a Roman discotheque. Last month she riveted her fans when she fainted on "Caramba, Che Fortuna," while performing a vamped pas de deux. (She later explained that a doctor had given her an overdose of pain-killer for a strained leg muscle.)

Italians love her dancing, but she is just as famous for her brash blonde American image — and pronunciation.

To some, this is a uniquely Italian phenomenon. "These shows reveal a mix of unconscious rascality and also self-mockery," said Gianluigi Ferraro, the editor of the Rome daily *Il Foglio*.

"We really don't take ourselves seriously," Ferraro added. "It's a playful fantasy that even men like us can get a tall, beautiful American girl."

Why so many shows cater to male fantasies, even though the audiences for them are predominantly female, is a mystery that does not baffle Daniela Cammizano, the cultural critic for Italy's feminist magazine, *Noi Donne*. "Women may dominate viewer audiences," Cammizano said. "But men still make the TV shows."

PEOPLE

THE Trappist monks of Kentucky changed the message on their Web site and unplugged the fax machine at the Abbey of Gethsemani after being swamped with orders for their trademark fruitcake, cheese and bourbon fudge. Folks are being told they can still order, but not to expect delivery until April. "Well, we're out of food," said Brother Anselm, head of the abbey in Trappist, Kentucky, about 35 miles (55 kilometers) south of Louisville. Business was so good that the 75 brothers could not keep up with the orders. Since they started taking orders on-line this year at www.monks.org, the monks have seen their business skyrocket.

Fred Rogers has a fish tank and a little red trolley, but a gun? The host of the PBS children's show "Mister Rogers' Neighborhood" has sued Gadzooks Inc., a Texas-based chain of novelty stores, for selling T-shirts that display him with his trademark sweater, a smile and a silver handgun. Instead of saying, "Won't you be my neighbor?" the shirt

says: "Welcome to my 'hood." Thomas Wetzach, Rogers' attorney, said: "It's bad for the kids. It's sick humor."

Jackie Chan is a frugal fighter, washing his own underwear and socks every

night in a hotel because laundry charges are too high. The action movie star also frets over wasting soap. "I go to the Beverly Hills Hotel, I use the soap one day, two days. I take the shower cap and wrap the soap in it and travel with it," he told the Los Angeles Times. "The new

generation, they just waste it. When we were young we didn't have soap."

Nick Nolte is getting some of the best notices of his career, but his paychecks are not earning many raves. "I'm going broke — compared to the lifestyle I was living," the actor said in the New York Daily News. He said he decided several years ago to avoid big studio pictures in favor of more meaningful roles.

Sean Penn says he has had it with Hollywood — again. "This is it. I'm not going to act in movies again," said the co-star of "The Thin Red Line" and player in Woody Allen's latest, now being filmed around New York. It is an oft-repeated threat, friends of Penn said in this week's New York Times Magazine. "He's not going to give up acting," Jack Nicholson said. "What Sean means is that he would like to give up the thought of making the brand of picture that opens big on a Friday night."

A Cache of Letters to and From 'Mrs. Brown'

The Associated Press

LONDON — Letters exchanged between Queen Victoria and her gamekeeper, John Brown, have been discovered in an attic in Scotland, a British newspaper reported Monday.

The cache had been stored for many years in a trunk belonging to one of Brown's descendants at a home near Balmoral Castle, the royal estate in Scotland, The Times said.

The relationship between Queen Victoria, who was mourning the death of her husband Albert, and her servant sparked many rumors in the mid-1860s — and was also the focus of the 1997 movie "Mrs. Brown." While researching the movie, the executive producer Douglas Rae and the writer Jeremy Brooks were alerted to the letters by one of Brown's descendants, the newspaper said.

Rae said the family allowed them to use background material gleaned from the letters, but specific details were kept secret. The discovery of the letters was announced to coincide with the television premier of the film in Britain.



POETRY AND MOTION — The poet and author Maya Angelou, center, directing "Down in the Delta," a film she also produced, in Los Angeles.



(go down in history)

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Egypt (Cairo)	510-4220	Italy	172-1011	Switzerland	0800-89-0011
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